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WAKE UP, CANADA!

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WAKE UP, CANADA!

Reflections on Vital National Issues

BY
C. Charles Walter W. PETERSON



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20.10.20.

TORONTO; THE MACMILLAN COMPANY OF CANADA, LTD., AT ST. MARTIN'S HOUSE
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TORONTO

DEDICATION

To the Editors
of Canadian Newspapers
and Periodicals:

My Dear Fellow Craftsmen,

It is usual to dedicate a book to some person or persons to whom the author is under obligation. There can be no question in my mind where my deepest obligation rests. Much of whatever information I possess, I might almost say, that much of whatever useful education I possess, is due to a habit, acquired early in my life, of reading a wide range of newspapers and periodicals. There I have gleaned the worth-while facts, that largely have guided my business and journalistic career.

I entertain the hope, perhaps vainly, that this little volume may prove of some inspiration to you, entrusted as you are with the responsible task of moulding public opinion. I cannot hope, and do not expect, that all my conclusions and theories will receive approval and support. Some of them will appear weird and visionary. But my main object in writing this somewhat rambling book has been to provoke investigation. Somewhere you may find the kernel of an idea that may lend itself to profitable elaboration. If so, my task has not been in vain.

C. W. PETERSON.

PREFACE

I REGRETFULLY realize that this is a scolding, preaching, fault-finding sort of book, only mildly constructive. And Canada is not used to having her institutions libelled in book form. In Great Britain, on the other hand, every week or so, some unlicensed crank writes a volume on how to run the Empire, which, of course, no one ever takes seriously. The patronage and encouragement of this literary Hyde Park speaks volumes for the patriotism of British publishers! However, the precedent is now set in Canada, for better or for worse.

There seems to be, somewhere, an unwritten law to the effect that no man shall write a book on any subject upon which he is not a recognised authority. This rule, of course, is frequently and painfully violated. It is going to be flagrantly transgressed in this case. Much of what appears in the following pages has doubtless been said before, and probably much more effectively than I am able to say it. The whole contents are merely random reflections on leading political and social questions of the day. If I have any apology to offer for inflicting these upon the public in book form, it is, that I have perhaps enjoyed somewhat exceptional opportunities, in the course of a wildly varied career, of observing many of these problems from more than one angle.

It will be obvious to those who are sufficiently interested to read the following pages, that it is not the mission of this volume to submit cut and dried remedies for the various ills and handicaps, social, political, and economic, under which Canada labours. Many of them are common to all countries. My object is rather to bring some of our problems to the attention of thinking people, to contribute in a mild measure to intelligent discussion and to spur into action those whose responsibility it is to solve them. But, above everything, it is my earnest ambition to rouse Canadian men and women from their present apathetic attitude in regard to the politics and administration of the country and to kindle an intelligent interest in the great questions of the day. The field is so broad, however, that many patriotic intellects must lend their efforts towards exploring it and bringing useful suggestions to the surface.

I love this Canada of ours—this clean, strenuous, blessed, young country, seemingly so enormously distant from the slimy, unwholesome social mess of Europe. But one cannot shut one's eyes to the evidences of unrest apparent even here. It is the main purpose of this book to contribute, to a modest extent, towards the awakening of Canada to a sense of her responsibilities and opportunities. We must look past errors bravely in the face and energetically turn our attention to setting the house in order. Herein will lie Canada's salvation and her ability to fulfil her God-given destiny of becoming the haven of refuge for oppressed people, and for those

adventurous spirits who chafe at the restraints of older civilizations.

When a book is written in the first person it is apparently customary to explain and apologize. I have so offended, but see no necessity for doing either in this case. I have drawn somewhat copiously upon my own personal experience, deeming such information to be the most reliable and convincing. Apart, however, from this consideration, I cannot tell my story effectively in any other way.

C.W.P.

Western Stock Ranches,
Calgary, Alberta,
April, 1919.

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WAKE UP, CANADA!

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CHAPTER ONE

DEMOCRACY ON TRIAL

1.

THE amazing cataclysm into which a peaceful world was precipitated in 1914 ultimately gained such proportions that the normal life of the individual the world over was affected to a greater or lesser extent. Carefully treasured economic theories have been blasted into utter oblivion. Nations are drifting like rudderless ships on the high seas. Patching here and mending there, some hope to sail into safe havens. Others lie bleeding and mangled while irrepressible mobs put to the torch the outward and visible evidences of centuries of slow and laborious progress and civilization.

If one does not misread all the signs and tokens, the end of this bloody war is ushering in a new era all over the civilized world. We shall be taught to renounce many things that the present generation has most admired in men; wealth, power, position and fame, and to estimate men and things at their true worth. The drone will be an outcast. He probably will not have the wealth to enable him to lead the drone's existence. The State will require it. The man who does things will be the leader—

not the man whose only claim to distinction is that he made a happy choice of parents.

The conviction is forcing itself on thoughtful observers, that the past world struggle and its aftermath is less a trial of strength between the autocratic and democratic ideas of Government, than a fire trial of democracy itself. The overwhelming opinion of the world is, of course, against autocracy, which is absolutely out of tune with the times. A limited population, born and educated under autocratic rule of a reasonably advanced humanitarian and orderly sort, was apparently prepared, or coerced, to fight for its perpetuation and possible extension, but victory or defeat would not have affected public opinion elsewhere, to any great extent, as to the merits of such a system. That it was efficient, viewed as a machine, is not disputed, but democratic people demand responsible institutions with all the faults inherent in majority rule. The world has now decided, that autocracies must go, not necessarily because they are inefficient, but because they are irresponsible.

2.

What about the world's democracies? Have they fulfilled the reasonable expectations of the early pioneers of liberty, fraternity and equality? Have they abolished sweated and child labour and all the other abominations of our industrial system? If these conditions have from time to time been ameliorated, has it been by the voluntary action of the State or by the power of organized labour forc-

ing its demands on reluctant democracy? Has democracy abolished the pest-ridden tenements of our great cities? Can, in fact, democracy show, that the status of the common people has been higher and better under its beneficent rule than it was in the autocratic countries we have just defeated? Let us look the facts straight in the face.

Let us also remember that democracy has, in some countries, abolished an hereditary aristocracy and has substituted therefor a plutocracy, with swollen fortunes made out of the sweat of the brow of its citizens. The aristocrat was generally actuated by the *noblesse oblige* principle and frequently rendered patriotic public services. The plutocrat, on the other hand, has for his own selfish purposes, debauched our public life and even spread the net of graft among the people's representatives. Are we the better for the change? Democracy—government for the people, by the people—has been on the job for over a century and, frankly, has it proven so vastly superior as a political scheme, that the transformation from autocracy to our alleged advanced system is merely a matter of form? Do we not detect in the liberated countries an ever-swelling rejection of the sort of democracy that has in the past satisfied our consciences? We apparently cannot comprehend, that any nation just emerging from the darkness of autocracy should contain any considerable element of people who would hesitate to adopt holus-bolus our own scheme of Government. Yet, it is so. And not alone is it so, but these new notions are not confined

to the conquered. They are being rapidly assimilated among the conquerors. Read and digest the following from a speech by a Canadian at Toronto:

We advocate the dictatorship of the people or proletariat. Under this creed society must be turned upside down, the will of the workers being imposed on the "bourgeoise," or ruling class. The State, as it exists today, must be destroyed, and with it must go overboard law and all the political institutions of the country, for we maintain that these exist only to oppress the poor and protect the ruling class. In place of the State the Bolshevist places the revolution organization of the workers. The first duty of that body is to dispossess the capitalists, take control of all key industries, land, mines, railways, means of postal and telegraph communication and the newspapers, and run them for the benefit of the workers and the extension of the Bolshevist system. The land is to be parcelled out and given to the peasants free of tenure. The factories are taken over without compensation to owners or shareholders, to be run by shop committees. All profits from whatever source are to be administered by a Central Revolutionary Committee until such time as they are handed over to the workers. The Bolshevists do not argue, we lay down a dogma that the workers at all costs are supreme, and to attain this end all means are justifiable. . . .

And thus the Bolshevist is endeavouring to create a limbo large and broad, since called "The Paradise of Fools."

3.

The conflict of arms in the cradle of modern civilization has mercifully ceased. But where heroes have gallantly spilled their life blood in defence of all that makes life sweet and desirable, drivelling anarchy is rearing its leering, vacant face. Frightened Europe stands aghast. History records no precedent. Has the world been deliv-

ered from the madman of Potsdam only to be handed over to, and be destroyed by, a wild beast, nursed unaware at her own bosom? Is such a fate the inexorable doom of mankind? Lies here the secret and mainspring of destroyed ancient civilizations?

The world was prepared for far-reaching social changes, brought about in the orderly, conventional and constitutional manner to which nations had been accustomed under our highly organized scheme of life. But the wanton destruction and bloody orgies of the Maximalist on his westward march in Europe, have impressed all mankind with a feeling of utter horror and fear of the spreading of this social plague to peaceful spots, that have hitherto been thought secure against the bloody doctrine of the "long-haired man and the short-haired woman."

Has the death knell of Europe sounded? Will the long talons of anarchism grip her by the throat and destroy her civilization? Shall we, on this side of the Atlantic, wholly escape the taint of the dismal creed? These are questions which every thinking man is asking during this unstable period in the world's history. European countries are at a disadvantage. Eighty per cent. of the people have little or nothing to lose in any violent social upheaval. The remaining twenty per cent. own it all. Those in the former category may be tempted to try any creed, any experiment, and, moblike, be carried away by it.

Let us not, however, for a moment imagine that

Bolshevism is something copied from a comic opera,—that there is no rational, dominating idea behind the seemingly crazy performances of the adherents of this new and extraordinary creed. If there were not, it would simply subside by its own efforts and might properly be treated as an unusually widespread outbreak of lunacy. What is it? In conversation with a gentleman, an American, recently returned from Petrograd where he had occupied an official position in behalf of his own country, he expressed to the writer his utter lack of sympathy with the much persecuted bourgeoisie of Russia. It was bad and reactionary to the core. He was most pessimistic about the whole political prospect in that country. He was apparently convinced, that the elements of true democracy were not in the bourgeoisie of Russia and could not be instilled into that class. Their point of view was utterly and hopelessly at variance with that of the humbler classes.

This statement tells its own story. The Maximalist has no intention of spending a century or two in educating the classes. His creed is death and destruction and the rearing of a new structure of State on the ruins of the old order of society. It is inhuman and cruel, but there is method and purpose in the seeming madness. It is devoid of all the finer instincts and lofty aspirations of our modern civilization; it is ruthless and it is relentless; it is something we never pictured even in our most horrid night-mares. It is a world scarlet with blood and fire!

4.

On this side of the Atlantic we may escape the rocks and reefs of the older civilizations of Europe. In Canada and the United States, while individual fortunes may in many cases be enormous, the rank and file are not devoid of property. Two-thirds of the farmers in the United States own their holdings. In Canada the proportion is much greater. In the smaller towns and cities the labourer frequently owns his home. The future holds greater promise over here. The industrious bricklayer of to-day is often the successful contractor of to-morrow. Such conditions are unfavourable to violent reconstruction. They are not necessarily unfavourable to far-reaching social reform.

If we in Canada escape the doom of the countries of Central Europe, let us, in all humility, confess our past sins of omission and commission, and determine to use our talents in a manner more worthy of the destiny of this great virgin country, that the Almighty has handed over to us in trust for future generations. We are only the builders of the foundation. Let us see that it is so laid that the finished structure, founded on solid rock, may one day rear itself proudly against the sky to the admiration of all nations. Our responsibility is great, almost as great as our opportunities. May we do justice to them!

If Bolshevism devoured us, it would be perhaps only retributive justice for a century of soft living, of selfish ambitions, of grinding poverty here and

ostentatious luxury there; the prostitution and caricaturing of the stage, "jazz band" music, our lascivious, erotic literature, and monstrous, degenerate modern schools of art, of forgetting to be "our brother's keeper"—of general failure to use our new-found political liberty in the interests of humanity, education and arts, and of misusing it for the promotion of private greed and in riotous living.

Democracy has been pulled up with a sharp turn. Democratic Europe has heedlessly proceeded on its way, lulled and soothed into foolish security by the comfortable conviction that all was well. Were they not in Great Britain, for instance, good citizens of a free country? But democracies built on a social system that has rendered it possible for a few to accumulate fabulous fortunes while multitudes have lived in misery, filth and starvation—a social system that has given into the hands of the few, however deserving, hard working and superior they may be, the ownership or stewardship of all the things that represent power over the fate of the majority—a social system which, by virtually denying the average man a stake in the community, has gradually produced a proletariat devoid of all sense of responsibility for the maintenance of the existing order—such a democracy, I say, is perhaps in greater danger of utter annihilation than the vilest of autocracies. It rests not on a solid foundation, but on a veritable volcano.

Rational human beings, however extreme their views, are not sighing for the day of absolute social

and material equality. Only the distorted mind can picture a race cast in a uniform mould—physically and intellectually. But the democratic nations of the world, including Canada, must approach equality of opportunity much—very much—closer than they have in the past. If we cannot find the way or cannot rise to the sacrifice —God help us all and our democracies. Short will be the shrift!

Individual benevolence by the possessors of swollen fortunes—restitution to society—will not meet the case. The breadwinner is clamouring for steady employment and for protection against the economic consequences of illness, accident and death. He asks for bread and he is given books—libraries of them! These things cannot be remedied by a gradual process of compassionate voluntary effort; nor even by wholesale disgorging. The individual citizen of the most ideal democracy stands revealed as a selfish, grasping, predatory animal. We must, in fact, be protected against each other. It is primarily a job for State treatment.

The gradual development, among the nations of the world, of all the vices and evils to which ancient Rome ultimately fell a victim, is not a pleasant retrospect. In the larger cities of Canada and the United States, where the social unrest is most noticeable, the past twenty years have been a period of "easy" money, and reckless, offensive spending. Business men have developed wolfish instincts. Many of our statesmen—the noblest calling of all—have degenerated into "practical"

politicians. The gratification of social ambition has been, amongst our women of the "classes," one of the main objects in life, with the aping of the habits of the very wealthy and so on down the list. The showy "front" has been a subject of emulation. The expenditure on personal adornment must surely have made our grandmothers turn in their graves. And our smart establishments! The modest carriage and pair has been replaced by fleets of expensive motor cars. Haughty, pale-faced children, who would be vastly benefited by fresh air and healthful exercise, are carried to school in luxurious limousines with uniformed chauffeurs, passing the offspring of the mechanic, trudging through the snow, and casting envious eyes on these darlings of fortune.

Let us offer up devout gratitude, that grim war at last stepped in and laid its heavy hand upon our heedless society, spurred us to action, and brought out all that was best and noblest within us. The social butterfly went to work. The spendthrift stopped spending. Weary years of ceaseless worry and heavy responsibility opened our eyes to the worth-while things in life. We see and read more understandingly now that the spirit of charity and toleration has descended upon us. We realize that there is enough and plenty in this good old world of ours, so that we may all have the necessaries of life and some of its comforts and luxuries. And many of us even dimly perceive, that we all came naked into this existence, whether in cottage or mansion, and will leave it in the same condition; that no

class among us is God's chosen—a peculiar people; but that we are all just very ordinary, average, miserable sinners, whose duty and privilege it is to wander through life, lending a hand to help the weaker brother over rough places, faithfully performing our allotted tasks and, finally, making our exit, dwelling in our last moments with satisfaction only upon the sum of our services to others. Upon our ability to see these things clearly may depend our future status as a nation.

5.

At this period, the whole scheme of democratic government seems to drift between Scylla and Charybdis. During the past decades, nations have apparently progressed farther in the field of political freedom than in education and fitness for the great responsibilities incidental to citizenship in the ideal democracy. It has been well said, that the step from pure democracy to tyrannous autocracy is surprisingly easily made. The proletariat calls out loudly for the inauguration of the Social State. It is mistakenly being regarded as synonymous with the widest political emancipation, with which it has absolutely nothing to do. They have it in Russia. How do you like it? Wherein lies the difference between Kaiser Wilhelm and Trotsky? Bismarck has often been characterized as the most advanced and practical socialist of his time. And he was. Germany had unemployment insurance and all the rest of it. It was almost a socialized state—and yet a nation of abject, cringing slaves.

This idealization of the socialized state has become a menace to civilization. We do not seem to comprehend, except in the haziest manner, that consistent socialization is absolutely incompatible with individual liberty of action, the boon most highly prized by the true democrat. We see it clearly demonstrated all around us. The multiplication of Government functions, promoted largely by our tendency towards the socialized State, is rapidly driving our modern democracies into tyranny. We are denied, right and left, the basic privilege of self-determination—the very cornerstone of President Wilson's fourteen points now accepted by the Peace Congress at Versailles. The whole continent of America has recently been driven into a policy of prohibition of the use of all intoxicants, by the action of the State. I express no opinion on the merits or demerits of the policy itself; I am criticizing only the underlying principle. The "Verboten" sign is becoming an increasingly familiar and conspicuous spectacle within democracies.

This complete surrender of self-determination and individual liberty, which is involved in the socialized State; this submission to being dry-nursed and shepherded from birth to death by a paternal governmental authority; this smug wholesale insuring against all the calamities and vicissitudes of life; this tender shielding and guarding of the individual from all the temptations that beset red-blooded men and women—what sort of a race of human beings will it breed? Shall we not

lose all our powers of initiative and foresight, our capacity for fighting, bravely and manfully, against the odds and evils of life? Shall we not become a nation of hypocrites, secretly breaking irksome restrictions? Shall we not finally become imbued with a contempt for all laws as a result of failure to rigidly enforce some of them? In a measure we are deliberately attempting to circumvent the operation of the eternal law of the survival of the fittest. We are trying by Act of Parliament, to prevent the weakling from utterly destroying himself, and every time he discovers a new way of attempting it, which he inevitably will, we pass a new Act of Parliament! Is there no longer within us any response to the spiritual appeal? Have we not reached the point in democracy when the principal business of the State appears to be to busy itself with our petty vices? The fate of great political parties ought not to hang on such issues. And now we are promised a crusade against cigarettes, two per cent. beer and cent-a-point bridge! Is this the higher civilization?

CHAPTER TWO

CANADIAN NATIONALITY

1.

CANADA is a country of dual language and dual nationality. Under the terms of Confederation, certain rights were guaranteed the French Canadians in respect of the official use of the French language. That fact seems to worry a great many people. A literature has grown up around this question, and some otherwise sane people seem to see in this equitable, fair and highly satisfactory arrangement, a menace to Canada and a brake on progress. It never seems to occur to these people, that the situation is very far from unique. Belgium has two languages, Switzerland has three. Every country in Europe has dialects almost as strange as a foreign tongue. I have met at least one Welshman, born and bred on the tight little island, who could hardly speak a word of English. Certainly, if we have a language problem it can only be due to narrow prejudice, bad management, and unscrupulous political agitation.

It seems almost superfluous to state the fact, that a strong, virile nation can be successfully created out of peoples speaking different tongues. In many ways a dual language is very advantageous or could be made so. If every child in Canada spoke English and French with equal fluency, the country

would unquestionably be the gainer. Art, literature and general culture, would be immeasurably promoted to the vast benefit of us all. Amalgamation of tribes and races into nations is a process that has been going merrily on as far back as recorded history is available. On the surface, there seems to be nothing particular to worry about in our case. The thing is to study each other's point of view, to be mutually sympathetic and, above all, to practise courtesy and toleration.

The English Canadian has no particular quarrel with his French brother. One can scarcely dignify the impatience and intolerance at times plainly exhibited by both sides as a racial quarrel. I am referring now to the average citizen and not to the comparatively small number of English speaking, bigoted Protestant agitators, who are not in any sense representative of average public opinion. The English opposition to dual-language is rather one based on certain very practical objections. The dual-language is simply regarded as an intolerable nuisance, and as an exceedingly expensive and unnecessary nuisance. Public records have to be translated and printed in both languages, in most cases, quite as a matter of form and with no practical benefit to anyone. Official correspondence must be conducted in both languages. I well remember the perennial question by the solitary French member of the old Territorial Assembly as to whether the proceedings of the House would be published in French and the Premier's grave reply, to the effect that the Federal authorities had

in 1937.
35·6 per cent of French, bilin
only 3·5% of Engl

not seen fit to provide funds specially for the purpose! The French are very persistent.

Canada is quite satisfied that Quebec should be, and should remain, a French province, but the people of Ontario and the West are naturally loath to encourage language complications. It seems absurd to them, that a small minority should so persistently endeavour to impose its views on a vast majority and, when not completely successful, assume the martyr attitude. There is, of course, intolerance on both sides, but the French would perhaps be well advised to accept reasonable compromise instead of standing out for the whole pound of flesh. If the Province of Quebec has not retaliated, within her own boundaries, it is very much to the credit of the French element there. Their attitude should be a lesson to the other provinces.

It is not quite fair to compare conditions in Danish Schleswig and German Poland with those prevailing in Canada as I have seen done. Germany prohibited absolutely the use of the native tongue at all public meetings and also adopted a ruthless policy of persecution and deportation. Those were the main grievances. I have yet to hear, that any obstacle has ever been placed in the way of the use of the French language anywhere in Canada or any oppressive, or coercive, measures adopted to force French-Canadians to use the English tongue. They can talk French at any time to their hearts' content. Also, there is no objection to private or church schools in Canada teaching in

any language they desire. That was not the case in Schleswig or Poland.

2.

We also have a school question in Canada intimately related to the language controversy. We have always had a school question. Our politicians would be lonely without it. The French are Roman Catholics and want religious instruction in the schools. We Protestants do not. But perhaps we are wrong. I, for one, rather think we are. The French can do as they like within Quebec and they do it. But Mother Church follows the "habitant" across the border into other provinces and claims the same privileges, and then the fat is in the fire and the fight begins. It is disturbing, but after all it is very parochial. We are apt to lose our sense of proportion. The fate of empires does not hang on such issues.

The war brought the controversy into the limelight as a national issue. French Canada would not play the game. One pretext after the other was urged in support of this attitude, with every reason except the true reason, which is, that Jean Baptiste is not a fighting man. He is essentially domestic, and the spirit of adventure does not exist in the present generation of French-Canadians. Leave his aged mother, or his wife and children, and go across the ocean to offer up his life for a principle, and a dollar and ten cents a day? Did one ever hear of such madness? When conscription was delicately hinted at, the French press went into

hysterics. Rapine and rebellion, battle, murder and sudden death would be the inevitable answer in Quebec. The streets of the cities would flow with the blood of the oppressors. When the order ultimately went into effect, Jean, like the simple, decent, law-abiding citizen that he is, came into the fold like a lamb and cheerfully went to the Front. That is, any stray Jean who had been utterly unable to satisfy a very, very complaisant board that he really ought to be exempted, which he, by the way, seldom failed to do.

French Quebec's contribution towards winning the war was, therefore, not conspicuous. The French-Canadian units that went across, however, covered themselves with glory, as the entire French-Canadian population would doubtless have done, had it been there. The fact of the matter is, that the habitant, the real French-Canadian, lives in a sixteenth century atmosphere. Quebec is his country, and Monsieur le Curé is a deputy god. Great Britain and France actually mean no more to him than Nova Scotia or Saskatchewan—and that is nothing at all. The Province of Quebec should really educate this man and make a real citizen of him. There is no better raw material anywhere.

In the meanwhile, let there be no illusions in this matter. The guttersnipes and sweepings of the slums of Montreal, even the ranting college professors, hysterical politicians and radical newspaper editors of the French element, do not represent French Canada. We are apt to think they do,

and they think so themselves, but they really do not. Even Ottawa, which ought to know better, trembled before these men. No national question whatever could be decided without deep consideration as to how Quebec would take it. The small group of French-speaking Ministers was always able to block any plan or policy, no matter how meritorious, by a mere intimation that Quebec would not like it. The cabinet soon became frightened at its own shadow. It was almost completely dominated by this element. In course of time, the French Ministers and members naturally began to take themselves seriously. The balance of power depended on Quebec. No government could lightly ignore this situation.

But the last election broke the spell. Canada has now found out, that she can get on comfortably, practically without French representation in the cabinet. Rebellion did not break out, nor famine visit the land. Now apparently it does not matter a row of pins how Quebec takes anything, which is precisely the mental attitude that is best for Canada, especially for Quebec. No single province will ever dominate Canada again. It is unhealthy.

I have great hopes for the future of that splendid race. They are god-fearing, hard-working and law-abiding people, reasonably prosperous, very contented, and faithful to the command of their church to people the earth. Why is it, that the Roman Catholic church, for which I personally entertain the deepest admiration, respect and

regard, never can quite forget the old days of temporal jurisdiction? Why must it always either occupy the throne or be the power behind the throne? Look at Quebec, look at Ireland. It is a pity, that this venerable, hoary institution, that has emerged triumphantly from the ashes of every wild holocaust the world has ever witnessed, cannot learn to confine its activities to the spiritual and moral elevation of its adherents, and leave political intrigue and strife to less worthy agencies. Perhaps it is because this great organization cultivates the martyr spirit. The Roman Catholic church is said to thrive on persecution. The wish may be father to the thought. It is seldom difficult to find a grievance when one looks for it.

3.

I am not in the least disturbed about the so-called "French menace" in Canada. We are now busy with reconstruction and cannot afford to waste time speculating on any remote possibilities in that direction. I am more concerned about the general question of Canadian nationality. We are in a curious, anomalous position from a national point of view and it is sometimes difficult to see whither we are drifting. If ever a country needed the development of the most vigorous sense of nationality, it is surely Canada, and at the present moment. Alien races are reaching our shores in ever-increasing number. Americans are coming across the line into Western Canada by the hundreds of thousands. These must all be assimilated. Into what?

In the United States they have faced precisely the same problem. But the United States is a nation with a flag. It is a compact, definite, national unit with a history and traditions behind it and with an intense patriotism and pride of country pervading all classes. There is no divided or dual allegiance. An American is an American.

Canada, on the other hand, is the dutiful and admiring daughter of the greatest Mother of Nations. The flag is Mother's. Ask an English-born citizen, who has perhaps spent many years in Canada, whether he is a Canadian, and he will smile. He is, of course, an Englishman or a Britisher. Ask a New Zealand born colonist in Canada as to his nationality and he will reply that he is a New Zealander. A foreign-born, naturalized citizen may tell you that he is a Canadian. But without further formalities he is not a Britisher. Only a small fraction of native Canadians ever visit the shores of Great Britain. It seems that we are endeavouring to cultivate in Canada a sense of dual-nationality. Our status is beclouded and intangible. Can we readily assimilate foreign populations on such a basis? By reason of her geographical situation, Canada only, of all the British Dominions, faces this problem. It is worth speculating upon.

The component parts of Canada have had to shift local allegiance. People in the Pacific Province were British Columbians up to the seventies. Then they became Canadians. They were always Britishers. Many of them even now fail to realize

that they are Canadians. They refer to residents of other provinces as "Canadians."

We value most highly our British affiliation and would be loath to disturb such an admirable family relationship. But it seems clear, that a more distinct sense of Canadian nationality must be developed amongst us, sooner or later, or we shall partly fail in our mission to provide homes for multitudes from overseas and elsewhere. We cannot be satisfied with the position of a "polyglot boarding-house." We must either keep strangers out, or we must assimilate them. There must be no half measures.

Australia and New Zealand are islands remote from other civilizations. In South Africa, British influence predominates. Canada lies north of her gigantic cousin, speaking the same language, reading the same books and newspapers, seeing the same plays. Our world news filters in through the neighbour's cables, our motion pictures made in California and New Jersey invariably display the stars and stripes when patriotic situations demand a flag.

The International Boundary is an invisible and intangible thing. Trade may be controlled, but ideas cannot be excluded. Owing to the geographical situation it is almost inevitable that schemes of social reform in the two countries will go hand in hand. The United States will probably lead, and we shall follow the lead, as we have consistently done in our war administration. We are tied together with invisible bonds in a hundred different ways.

The influence exercised by the United States in Canada is by no means solely intellectual and spiritual. There is also a certain, well-defined administrative influence making itself felt. For instance, the attitude of labour towards industry in this country is practically dictated from south of the line. Canadian labour organizations are "international," which merely means, that United States bodies extend into Canada and dominate the situation. Whether Canadian labour may or may not strike is determined south of the line. I am not criticizing this arrangement. It is most efficient, but I doubt whether there is another country in the world in this unique situation.

We live on the very best of terms with Uncle Sam. We admire him and like him and we see a great deal of him and his people. Above all, we welcome them to our country as settlers, with open arms. But the thought often occurs to me, that only a strong, virile people with the sense of nationality passionately developed, can hope to withstand this tenacious, unswerving, but wholly unconscious and unorganized process of absorption that goes on, night and day, year in and year out.

Since peace negotiations were initiated, an important precedent has been established. The world status of Canada and other British Dominions has been defined. They were admitted to the Peace Conference as small nations. It was a step in our constitutional evolution. The British Empire "just grew." It has no organization or written constitution. It does not understand itself and, there-

fore, we cannot expect other nations to understand us. But it seems reasonably clear to me at this moment, that the future unfolding of this great, unwieldy British Empire must be primarily along the lines of a distinct and intense national development on the part of each self-governing unit, with a central, authoritative body, only as yet dimly visible, where each Dominion meets as an equal partner. The present relation of mother and daughter would then be converted to sisterhood.

CHAPTER THREE

POLITICAL PARTIES AND CLASSES

1.

THE present political line-up in Canada is purely the result of an "armistice." The Unionist party now in power was placed there to "win the war." The war is won. Neither party has at present any constructive programme beyond this point, which perhaps is the most promising feature of the situation. It enables the Government to follow the lines of least resistance and to develop a programme as it goes along, irrespective of previously expressed opinions or platforms. These are by common consent scrapped. If Canada can proceed with a reconstruction programme, formed day by day, on the merits of the situation, without being stampeded into premature, half-baked policies, by pressure from the Opposition and the public generally, and if the present Government can show evidence of tackling our problems in a statesmanlike and progressive manner, then we are safe. Such a situation however, requires the co-operation of the opposition to be entirely successful, and in view of the manner in which the game of politics has been played in the past, this is perhaps too much to expect. A wise opposition might, however, see much to instil hope of an early occupation of the Treasury benches, in view of the

thankless task of dealing with all the complicated problems of demobilization and reconstruction, which now confronts the Government. It is perhaps doubtful whether any body of men can survive this task politically.

Up to the outbreak of the war, political parties in Canada had for many years been fairly sharply grouped as Conservatives (Tories) and Liberals (Grits). Various attempts were made from time to time, to create groups of so-called "independents," but without any very conspicuous success. These third parties, or sections, generally died a natural death after more or less meteoric careers, frequently upon the elimination from Parliament, by death or defeat, of the guiding spirits in the movement.

The present political situation in Canada is absolutely chaotic. Old affiliations have been ruthlessly sundered, new problems of public administration are arising almost daily and the time, of course, is inopportune for the construction of permanent political platforms, around which the voters might rally, according to their convictions. The whole political horizon is, to say the least, obscure. Class organization is proceeding with rapidity, and political views are slowly crystallizing. For the first time in the history of Canada, there is a distinct tendency towards the multiplication of political parties on a basis of organized effort. Class consciousness is unmistakably developing in Canada and will, of necessity, exercise a tremendous influence upon the political situation.

The old pattern politician refuses to view the matter seriously. The party-hack expects history to repeat itself, but those who have their "ear to the ground" realize that the day of the "ins v. outs" is gone.

It is, of course, impossible to forecast the future of political parties in Canada, with "old-line" ideas and parties as completely disorganized as they are at present. Nothing short of a complete new line-up would impress the ever-growing volume of critical and independent opinion. Both of the old political parties stand condemned at the bar of public opinion—the Liberals for brazen faithlessness to pre-election promises, and reckless administration when in power—the Conservatives for lack of vision, a stupid disregard of public opinion, and subserviency to powerful influences. A good example of crass stupidity is the very use of the name "conservative" for fifty years. Who, in this progressive country wants to be labelled "tory" or "reactionary"? Fancy asking a newcomer in the West whether he is going to cast in his political fortunes with the liberals—the reformers and progressives, or with the tories, the reactionaries!

2.

The most far-reaching class organization is undoubtedly the "Grain Growers" or "Farmers' Union" movement. This had a modest beginning in 1899 in the then North-West Territories. Since then it has spread all through the Prairie Prov-

inces and also to Ontario. The strength of this movement lies in the very fact, that it has not been developed for political, but primarily for business purposes. The former is purely incidental. This means, that the membership is tied up to the organization by motives of commercial self-interest, and as the organization has so far been an outstanding success from a business point of view, it rests on a vastly more solid foundation than that of a mere political body. This organization is, therefore, one distinctly to be reckoned with in the future. And it has views—most uncomfortable views for any political party that looks for support among the industrial classes of Canada, particularly those of Ontario and Quebec. Its pronouncements on public questions are frequently intolerant, uncompromising and extreme. One sometimes detects traces of internationalism and socialism in its debates and utterances. But the scatterbrains are gradually being eliminated and wiser counsels will ultimately prevail.

The farmers of Canada, representing as they do, the largest class of property owners in the Dominion, will doubtless recognize, sooner or later, that their true interests lie in promoting safe and sane conditions, and that they are diametrically opposed to experimental legislation and all the political and social nostrums that so-called advanced thinkers are now endeavouring to incorporate in their platform and propaganda. The trouble in the past has been that the movement has been largely in the hands of idealists and enthusiasts,—

honest and well-meaning men, but lacking balance and political perspicuity. A change already in progress may be looked for in the radical views that now seem to prevail among the leaders.

Another and most important political factor is of course, that of organized labour. While this class only numbers about 160,000 members in Canada, or, approximately, 20% of all Canadian workers, skilled and unskilled, the movement is exceedingly well organized and widely distributed throughout Canada. The platform of organized labour is frankly international and socialistic, although not officially so, as far as the latter is concerned. Organized labour has always been a factor of weight in Canadian politics, but no separate political party has ever been formed to represent this class. What the future has in store in this respect is doubtful. It is certain, that organized labour has in the past exercised a far more powerful influence on legislation, acting through accredited leaders, than could have been the case if direct representation in Parliament had been sought. It is possible, that the same policy may be followed in the future, but there are indications of a desire to form a labour party. There have, of course, been local attempts made to run labour candidates in Dominion and Provincial elections and in many cases they have been successful, but the organization, as a whole, has lent no active official support in such cases.

It is curious that Canada has almost entirely escaped class representation in its popular legisla-

tive bodies. Various countries in Europe have for years had agrarian parties to safeguard the interests of agriculture and the land-owning classes. Even if the labour element in Canada delays action in respect of the formation of a political party, an agrarian party is bound to come, sooner or later. It will probably have its origin in a widespread demand on the part of Canadian farmers for parliamentary representation within existing parties, from among their own class. Once any considerable body of such men is elected and gets into intimate and constant touch at the Dominion and Provincial capitals, the demand for a separate party organization will automatically arise.

A comparatively new element has been projected into politics during recent years, namely, the woman voter. Party managers are very much at sea as to the outcome of it all. It is a great experiment. The womanhood of Canada now has an opportunity to assist in "cleaning house," politically, and in driving everything unworthy from public life; an opportunity such as has never occurred in the country's history before, and probably will never occur again. The moment is psychological. The women of Canada should be able to approach our problems with unbiassed minds. They have only to a small extent been active in, and influenced by, partisan politics. They should carefully study the situation before affiliating with any party. Canada's intelligent women can with advantage copy their sisters in Great Britain, and take a keen interest in all public ques-

tions. This is most noticeable across the sea, and contributes much to the delight of English home life. The record of the woman voter in the recent British general election and the apathy of our Canadian women in connection with exercising the recently conferred franchise, make an unfavourable comparison.

The country has a right to expect from its women an uncompromising attitude with regard to purity of public life, and sympathetic consideration and support of all rational policies that will promote the greatest good of the greatest number of our citizens. The women of Canada should acquaint themselves with public questions, and should regard the franchise as a sacred trust, exercising it with a sense of great responsibility.

3.

An analysis of the occupations of that section of Canada's population engaged in useful employment and of the members of our legislatures, is of considerable interest as showing the degree of class consciousness prevailing in Canada. It may be accepted as a principle, that irrespective of political affiliations, each class is most effectively represented and its interests protected by representatives selected from amongst its own members. The notorious preponderance of lawyers in public life in Canada is very curious. The superstition seems to prevail, that this class is, in some way, specially qualified for public life. This is open to the strongest possible doubt. Apart from the general

educational qualifications, and it must be admitted that the average lawyer is a well educated man, lawyers as a class are not endowed with more than average business qualifications,—in fact, many claim that the average lawyer is not a good business man. The drafting of legislation is not a task about which the private member of a legislative body is much concerned. This is generally done by technical men, experts in that particular work. The private member is only called upon to consider the necessity for any legislation submitted to Parliament in the shape of a bill, and to criticize such measure, which is a business and administrative question and not at all a question of law. It is well to keep these points in mind. It is high time the Canadian voter elected men of his own class to represent him in our Parliaments, always, of course, having in mind the vital necessity of supporting only candidates with sound views on leading questions, and of fair educational attainments.

The following table showing occupational statistics of workers in Canada, male and female, has been compiled from various sources of information, principally from the last Dominion Census Report. Accuracy is not claimed for these figures, but they are sufficiently correct to form the basis of a study of the subject:

Workers in Canada	Male and Female
(1) *Farm Workers:*	
Farmers	933,735
Their wives	625,734
Total	1,559,469

Workers in Canada		Male and Female
(2) *Mechanics and Labourers*:		
Manufacturing	442,208	
Building Trades	246,201	
Forest and Fisheries	76,726	
Mining	56,490	
Transportation	195,789	
Domestic Help	214,012	
Total		1,231,426
(3) *Executives, Clerical, Professional and Commercial:*		
Manufacturing	49,134	
Public Administration	76,604	
Mining	6,277	
Professional	120,616	
Transportation	21,755	
Merchandising, wholesale and retail	283,087	
Total		557,473
Grand Total		3,348,368

The wives of farmers have been included in that class, as they are practically farm workers, supplying meals for the help, feeding poultry and most frequently assisting in other farm tasks. Broadly speaking, the above is an approximate classification of the voting strength of Canada. Married women, not of the farm, 625,734 and widows, 179,656, may be added to complete the list.

This approximate census of Canadian voters is divided into the three conventional classes, namely, the farmer, the labourer, and the professional and

3348,368
625,734
179,656

business classes—the "bourgeoisie," as the latter would be called in Europe.

The following table shows the occupations of the men representing these groups in the Dominion and Provincial legislative bodies:—

Occupations of Parliamentary Representatives in Canada

—	Lawyers	Other Professions	Merchants and Industries	Labour	Farmers	Total Representation
Senate of Canada ..	24	18	40	1	11	94
House of Commons .	79	47	72	1	32	231
Nova Scotia.....	16	13	27	..	1	57
Prince Edward Island	4	3	17	..	6	30
New Brunswick	11	8	22	..	6	48
Quebec.....	37	16	41	..	9	103
Ontario	22	21	43	..	21	107
Manitoba.....	7	12	17	1	10	50
Saskatchewan	5	4	12	1	38	60
Alberta.....	9	11	16	..	22	58
British Columbia ...	8	10	22	1	5	46
	222	163	329	5	161	884

A glance at this table shows a peculiar state of affairs. The lawyers, numbering less than 5,000 in the whole of Canada, and being only a fraction of the population, monopolize 25% of the total representation. Labour is practically unrepresented, while the farmer class, almost half the entire adult population, only have about 18% of the representation. There are four vacancies.

The following comparison shows more clearly the existing state of affairs:—

Class Representation in Canadian Legislatures

Class	Number in Class	Percentage of total workers	Number of Representatives	Percentage of total Representation
Farmers	1,559,469	46·5	161	18·3
Mechanics and Labourers.	1,231,426	36·8	5	0·5
Business and Professional.	557,473	16·7	714	81·2
	3,348,368	100·0	880	100·0

It is not my intention to draw any special lessons or conclusions from the figures quoted. They tell their own story to those who think it worth while to study them. Public policy is generally an attempt at compromise. The question to be considered is frequently to what extent the interests of one class can fairly be sacrificed in favour of other classes for the public good. It often becomes more than a question of pure statistics. The fair and reasonable application of the principle of compromise may avert definite class representation, or East v. West. The reverse will surely lead to class war. Our public men should study the foregoing figures. They tell a story all their own to the man who is looking for guidance and truth.

4.

In the political game of the "ins and outs" that has, until recently, been played in Canada, the "machinery" has been developed to a very fine point. Members have been given cabinet rank and placed in charge of important portfolios frankly

because they knew how to play this game. The fact that Governments have remained in power for from 12 to 18 years in spite of records that should have consigned them to oblivion, is ample evidence of the fact, that means have been placed in the hands of the Government of the day to defy public opinion and to prevent a true expression of such opinion at the polls. There is ample evidence abroad, that there is a complete revulsion of feeling on the subject. Corporations now are not so much in evidence as they used to be and greater caution is needed in collecting campaign funds. All this is encouraging, but it does not go far enough.

In the raising of party funds for the purpose of defraying election expenses, one comes face to face with graft in its most pernicious form. In the old days, votes sold to the highest bidder, and this barefaced corruption of the electorate excited only a mild form of protest. The crime was largely in being found out. Finally it was becoming difficult not to be betrayed and found out, and the practice was almost entirely discontinued. This was not the result of an awakening conscience or moral uplift. It was purely a matter of expediency.

Nowadays, the evil lies rather in the method of raising election funds than in the expenditure thereof. When a general election is impending, the party managers set to work to obtain the sinews of war. The hat is passed. It comes to the "Universal Steel Co." if there is such a concern. The Board of Directors makes a large subscription,

and covers the payment up in its books. Why? Is this corporation making a contribution as a patriotic Canadian concern, purely in the interest of good government? Or is it in anticipation of favours to come? It is perhaps enjoying heavy protection under our fiscal system and desires to be left undisturbed. Or perhaps it has a "case" and is looking for an increase. In order to guard against all possible eventualities, however, when the "hat" from the opposition side comes round the next day, the Directors determine on a "safety first" policy, and make an equally large contribution. Thus both sides are squared. This is how it works.

It is unnecessary to enlarge on the cruder and criminal arrangements under which certain sums are added to Government contracts to cover "extras" and are afterwards transferred to the party "slush" fund by the grateful beneficiaries. During quite recent years, deals of this sort, carried out in the rawest possible manner, have seen the light of day, following criminal proceedings. Let us hope, that these latter methods are now consigned to oblivion, that we have our heads sufficiently far out of the mire to make a swift and effective war of extermination against any swindling group of public men who will dare to perpetrate barefaced stealing from the public funds for election or any other purposes.

5.

Everyone regrets the power and activities of the party "machine." "Machine" government natur-

ally follows "machine" won elections. Let us examine the "machine," and see how it works. It organizes meetings, personally canvasses the voters and distributes, in printed form, special pleadings in favour of the party. This is quite legitimate. Then comes the election day. Now, supposing the machine remained inactive on that day of days? As a first result, we should probably get a fair expression of a limited popular opinion at the polls. But half of the voters would not vote!

This is where the "machine" puts in its most effective work, in bringing the vote out to the poll. This saves labour—to the voter. Each "machine," of course, brings out the people only that will vote for the party it represents, and will often go to some lengths in keeping opponents at home. Let us be quite frank about it, however unpalatable the truth may be. The result of any election, unless some great public question is involved, depends almost entirely upon the degree of field organization and financial means available in bringing the favourable vote out on election day. Boiled down to its logical conclusions, it means that the average voter is too lazy or too indifferent to go to the poll unless a comfortable conveyance calls for him, takes him there and then brings him home again.

Is the franchise a privilege, or a duty? This question goes to the root of the whole matter. If a privilege, those who are too indifferent to avail themselves of it might properly be disenfranchised. This would lead to an intelligent expression of public opinion. If a duty, everyone failing to per-

form that duty, unless prevented from voting by some serious obstacle, should be dealt with as an offender. This means compulsory voting. The moment we had compulsory voting, the "machine" would be largely confined to its legitimate object, which is to educate public opinion to the views of the party it represents. The final expression of public opinion would thus be left absolutely unhampered, and would really represent public opinion and not machine-made opinion. If we had compulsory voting and proportional representation, we could perhaps dispense with all the other innovations, and feel reasonably certain that the party in power, be it good, bad or indifferent, truly represented the consensus of public opinion. And that is the utmost demand that a democracy can make.

We might perhaps eliminate the time element, and dispense with the education of the voter, and rudely compel him to do his duty, hoping that some time before the century expires, he may begin to see dimly, that this apparently unpleasant duty was imposed upon him as a means of self-protection. Sickness or absolutely unavoidable business elsewhere should be the only excuses accepted for failure to vote. A Justice of the Peace could hold court after election day in each polling division and quickly determine the merits of each excuse. Disenfranchisement for a certain period, and a small fine, should be meted out to delinquents. This system would quickly break the back of "machine" politics. The task of going to a polling booth and

casting a vote, is apparently no more formidable than to call for the mail or to take a box of eggs to town.

We have certain very plain duties as citizens of a democracy. If we do not want to discharge these duties and contribute our quota towards good and honest government, we are unfit for the privileges of a citizen of a democracy. We might as well be in Germany, or under some other autocracy, where the plain citizen, as far as responsibility for good government is concerned, ranks with the Canadian minor or lunatic. A paternal Government tells him where to "head in." And he promptly "heads in." Democracy, a comparatively new experiment in government, is blundering along under the party "machine" system. Up to the present time it looks as if we had merely exchanged one autocrat for another. We have fired the "mailed fist" autocrat and have adopted the "silk glove" autocrat of the party "machine." The former never was more autocratic than the latter is today. Speaking generally, we are evidently unfit as yet for the responsibilities of democratic government. Another century of educating may be needed before we shall properly value the franchise and realize our duty as citizens.

6.

It is instructive to watch the total vote cast for each party in an election, and compare this with the number of representatives, elected, of each party. Generally these figures bear absolutely no

proper proportion to each other. In other words, majority rule under the present system very largely eliminates minority representation. Proportional representation is designed to arrive at a fairer expression of the will of the voter at the polls. It is now quite possible for a political party to have a large majority in Parliament without actually having polled a majority of the votes throughout the country. This has happened. Such a state of affairs is brought about by a judicious hiving of opposition voters in certain constituencies, otherwise called "gerrymandering." This used to be a fine art in Canadian politics, but, while it still flourishes, it is not done now in quite the same barefaced fashion as in days gone by.

The principles underlying the system of proportional representation are so well understood, that it is unnecessary to go into detail here. One beneficial effect, is to prevent unwieldy majorities, and the consequent danger of administrative dry rot. A Government in power by virtue of a small majority only, is more susceptible to the views of its individual adherents and also to public opinion. Proportional representation, involving very large electoral districts, will also practically eliminate the obnoxious individual canvass of each voter, for the reason that it would be almost impossible. To make quite sure, make it an offence to canvass in person or by agent.

Election effort might very properly be absolutely confined by statute to public meetings, advertising and circularizing, and might equally properly be

limited to a certain maximum expenditure per head of estimated voting strength of any constituency. Our present election law fairly defines what are legitimate campaign expenses and provides penalties for any proven illegal expenditure by any candidate. If elections are too expensive, we keep out of public life the largest element of our eligible population. If we permit the candidate to receive help from friends and admirers, we at once lay him under obligations which will frequently tie his hands in the performance of his public duties. We cannot stand for any system of government that involves the recognition of "our friends" in public administration. The Government, collectively and individually, and the private member as well, must have a "free hand." This is a practical question and can be solved.

Having determined upon a basis of computing maximum legitimate election expenses, that is, such expenses as would be necessary to place within the reach of the average voter sufficient information to enable him to pass intelligent judgment on the proposed candidates, the State should make provision whereby this amount, or a part thereof, should be allowed to any candidate who polled sufficient votes to retain his deposit. Vouchers would, of course, be required proving the actual expenditure of the amount claimed. Then make it a criminal offence on the part of any person or corporation, or any director of a corporation, to contribute directly or indirectly, to party campaign funds. The average Canadian taxpayer is much

too intelligent to doubt for one moment, that he can better afford to defray legitimate election expenses out of the public treasury than to have our public men shackled, hand and foot, by powerful "friends," who, in return for possibly quite inconsiderable gifts, expect to prey on their country and defeat the will of the people.

7.

One of the most pernicious effects of the political machine is the precipitation of Federal partisan politics into our Provincial and municipal affairs. Our whole system of government is, of course, based on the presence of, at least, two parties in the representative body—one to administer and one to criticize. But it surely was never seriously contemplated, that the political divisions governing Federal affairs should prevail in the other bodies. Doubtless this basis has been popularly accepted because it obviates the necessity of duplicating party "machines." In other words, the best interests of the country are being made subservient to the convenience of the "machine."

There cannot be the least doubt, that considerations of efficiency and economy demand, that there should not be the slightest or remotest connection between the political parties in federal affairs and in provincial administration. Provincial cabinets should feel that they can approach the Federal Government on matters affecting their provinces without the embarrassment that naturally attaches itself to dealing with men representing opposite

political views. It creates a false position and is detrimental to that spirit of co-ordination and co-operation that ought to prevail. There is scarcely any limit to the useful combined work that could be done, and should be done, in the interest of general economy and good administration.

The reconstruction period upon which we have now entered, will make large demands upon co-operation between Dominion and Provincial authorities. The labour and employment policy is founded on team work; the soldiers' settlement and re-establishment work likewise. Great colonization policies can only be worked out under joint control. There is every indication, that a new administrative era is dawning, involving the closest co-operation between Provincial and Federal authorities, and no such silly obstacle as political "machinery" should be permitted to stand in the way of the fullest realization of the great possibilities of such a movement.

The electorate of Canada has something to say about this question and should say it. What have the Provincial Governments of Prince Edward Island or British Columbia to do with the tariff or the administration of the Post-Office Department? And what has the Federal Government to do with the Aged People's Home in Alberta or road repairs in Nova Scotia? Or, are we frankly to accept the situation, that a provincial government exists principally to thwart or promote the political fortunes of the Federal administration, as the case may be? Are we so utterly devoid of vision, that we cannot

construct platforms on provincial affairs upon which the respective parties can stand or fall before the electorate? It would almost be preferable to divide upon church adherence, colour of hair, or anything, in fact, rather than to introduce Federal issues into our local affairs and thus prejudice every attempt to promote effective team work between the Dominion and Provincial authorities. The present state of affairs would be ludicrous if it were not vicious.

Before leaving this subject, I specially desire to appeal to all classes to rigorously exercise their franchise in municipal affairs. The present apathy in this matter is absolutely appalling. The average man comes into contact with municipal affairs ten times where he encounters provincial or federal administration once. Surely, there is nothing more important than a healthy and intelligent interest in the management of the community within which a person resides. The most successful and influential citizens should be prevailed upon to make any sacrifice necessary to give the best that is in them to municipal administration. This is the very foundation of sound democracy. Without advanced and efficient municipal government, there can be no lasting national progress. It would be like attempting to construct a building from the top instead of from the bottom. Besides, the municipal council should be a sort of preparatory training school for budding statesmen. This is the arena where these men might be placed on trial before being entrusted with wider public responsibilities.

8.

And a word as to the private member, federal and provincial. The whole system of party government, involving party discipline, to some extent enforced by party contributions towards election expenses, has had the effect of reducing our representatives to mere voting machines. The few that have the temerity to strike an independent attitude on some great question run the risk of utter political annihilation. The House doesn't like insurrection. Of course, his opportunity comes in the party caucus where he can criticize to his heart's content, behind closed doors in secret session. But in broad daylight the party must vote as a unit, whether on one side of the House or the other. All this, of course, is not conducive to efficiency, but it is the system. In effect, the private member might as well return home immediately after the caucus and leave the detail to the leaders. He has become an absolute automaton. The good old days when governments could be defeated on the floor of Parliament have long ago departed. Our present system does not admit of any such eventuality. The "machine" works too smoothly.

Electoral reform along the lines indicated in this chapter, would do much towards saving the last shreds of independence of the private member. The present system is absolutely demoralizing. It leaves no scope for individual originality or ingenuity. The private member attends the sessions of Parliament perfunctorily. He is not there to

listen to argument and weigh measures in the balance, intelligently and impartially, and act on his convictions as our constitution contemplated. His mission is merely to obey the call of the party whip and to vote as he is told and in general, to play the party game loyally. It is difficult to see how this evil can be entirely overcome under our system of party government. To elect men imbued with a sense of patriotic duty rather than a desire to slavishly submit to party dictation, if such men can be found and could be nominated, would be a further step towards improvement.

Our blind adherence to political parties has beyond all doubt been largely responsible for most of the past expensive administrative blunders in Canada. It is, however, refreshing to note a healthy reaction in this respect as a direct result of the influence on the public mind of the Great War. The spectacle of the vast majority of staunch Canadian liberals cheerfully joining hands with the opposite party for the purpose of supporting a coalition administration, under conservative leadership, to pilot the ship of State through a great world crisis, is perhaps the most promising and inspiring in the political history of Canada. It clearly demonstrated that, at the core, the electorate is sound. It should be fully realized, that this act of self-sacrifice and self-obliteration was not an easy one to make, particularly for the liberal leaders who could not ignore the vast issues involved from a party point of view. Equally splendid was the action of the liberal press, which gen-

erally took the patriotic and public-spirited stand when confronted with the great decision.

The voters of Canada are very hard taskmasters and our Federal representatives, at least, are entitled to a tremendous amount of sympathy. The sitting member, who has perhaps made prodigious sacrifices to contest the seat and who is conscientiously doing his duty to his constituents, is on every occasion made to feel that no mean honour has been conferred on him. This is true, as far as it goes, but there are drawbacks. If he is a professional man, certain "friends" are apt to forget paying for professional services rendered by him. In fact, he would scarcely dare to send his bill. If he is in business, he will very likely be ruined. Charitable, and uncharitable organizations of every conceivable kind, forthwith commence levying blackmail. He cannot refuse donations. Every agricultural fair and sporting event in his district is made the occasion for a polite "hold-up."

Is such an attitude towards the people's representative dignified and fair? There will always be the deserving "party worker" to relieve our member of his spare cash. But should organized bodies of citizens descend to such sordid "stand and deliver" measures to raise funds for charitable and other purposes? Let us elect worthy men to represent us and, having done so, refrain from making their lives a burden to them. As it is, the best men in a community frequently cannot be induced to serve their country owing to these abuses. We talk glibly about throwing public life wide open to all

classes by eliminating the trifling deposit now required under the law. We are straining at a gnat and swallowing a camel! This is another direction in which the public conscience could correct abuses more effectively than could be done by legislative enactment.

CHAPTER FOUR

BUSINESS GOVERNMENT

1.

THERE was never a period in the history of the world more fruitful of new notions in government than the present. There is scarcely a public meeting held anywhere nowadays, that does not give birth to a new idea. The superstition seems to have taken hold of people, that the only reconstruction that society needs is what can be provided by Act of Parliament. Church Assemblies, socialist meetings, Canadian Club luncheons, etc., each makes its contribution to the appalling unrest that is now manifest. While there are certain things Parliament can advantageously do to provide necessary machinery and organization to promote reform, the main burden must necessarily fall on the shoulders of the individual citizen, who must wake up to a realization of his duties and responsibilities to his fellow-man and to the conscientious use of the ballot.

What is required in Canada today is not a set of new-fangled political, social or economic systems, but rather a complete overhauling and critical examination of the present structure, a plentiful use of the searchlight and a plentiful application of common sense, tempered with common humanity. Cold-blooded business and warm-blooded

sympathy must go hand in hand and prune and plant on the way. We must elect and support statesmen of high personal integrity and purpose, but, above all, with vision and imagination. The old school of politician is as dead as Caesar's wife. May we never see his shadow again. The call has gone out for Business Government.

Canada is the most plentifully governed country in the wide world. It is a veritable Mecca of Statesmen. Even Lichtenstein and Monaco fade into utter insignificance beside Canada's dizzy record in responsible government. I hasten to explain, that the burden of responsibility is deftly distributed over so many broad shoulders, that, in Canada, the rôle of Atlas is an obsolete occupation! As a school in statesmanship, Canada can be highly recommended. With our ever-expanding, and ever-changing Governments, there is room for all, sooner or later. The wayside bristles with honourables and ex-honourables, of all types, all kinds and all conditions. Very frequently, prior to retirement, forced or voluntary, they are rewarded by a grateful King. Then, for ever after, they stand apart from the common herd, in dazzling, splendid isolation. The dark and devious paths of practical politics sometimes, to be sure, soil the shining armour of our political Knight. But "he whom the King doth honour, etc." I draw the curtain.

Now, pay attention! We have a noble army of twenty-one members of the Dominion Cabinet and two or three Parliamentary Under-Secretaries

thrown in for good measure. The Province of Ontario has nine cabinet ministers. Quebec tops the list with ten. Nova Scotia, Alberta and British Columbia have eight each, New Brunswick and Saskatchewan nine, Manitoba a modest seven. To cap the climax, that tiny little Province to the far east, Prince Edward Island, comes to the front with a solid nine ministers. This makes a total of ninety-eight full-fledged cabinet ministers in Canada. Needless to add, forty-five of them are ornaments of the legal profession. Quebec sports eight lawyers out of ten ministers. The Federal Government twelve out of twenty-one. The lawyers have it!

All this, I am aware, reads very much like a fairy-tale. Ninety-eight ministers to govern eight million people! In England a cabinet about the same size as our Dominion Privy Council takes care of a population of thirty-six millions and of an Empire containing hundreds of millions of people of all colours and creeds. In the United States a cabinet about half the size of our Federal Government looks after a population of over a hundred millions. I wonder if any other part of the civilized world can show a state of affairs to equal Canada's wanton extravagance and inefficiency in Government? It is a reproach to our business sense.

But the worst feature of it all is, that every one of these Cabinets and Parliaments, and "near" Cabinets and Parliaments, must put on the usual "swank." Great piles of magnificent buildings

grace the various provincial capitals. Millions upon millions have been added to the provincial public debt in order that one province might outshine another and provide flashy surroundings for our army of ministers and our 884 legislators. The Province of Manitoba is now completing its Parliament buildings at a cost of over seven million dollars, while the farmers, in many districts of that province, wade through mud to get their produce to market! And each province has its own petty Court—imitation royalty—also set in a suitable and expensive frame. The Lieutenant-Governor, of course, has, normally, nothing to do but sign his name, a function which the Chief Justice of each Province could most efficiently and economically perform, thus saving the country much absolutely useless expense.

2.

I entertain the hope, that some day a capable writer will give to the world the administrative history of the North-West Territories of the old days, then comprising the Districts of Assiniboia, Saskatchewan and Alberta. That administration might well serve as a model of economical and efficient government to be studied by all who aspire to cabinet rank in Canada. The Territorial "Parliament" and administrative buildings could perhaps easily have been replaced for $50,000. They served all useful purposes, however, and housed a large and very busy staff. Sir Frederick Haultain, now Chief Justice of Saskatchewan, was

Premier and his solitary colleague was Hon. James Ross, now a member of the Senate. Each looked after three portfolios. It was a "coalition" Government. Each department was presided over by a permanent deputy head, who had an absolutely free hand in regard to staff appointments and dismissals, and was held strictly responsible for results. The Hon. James Calder, now Federal Minister of Immigration, was deputy of the Educational Department. Col. J. S. Dennis, Assistant to the President, C.P.R., was in charge of Public Works; J. A. Reid, until recently Alberta's capable Agent General in Great Britain, looked after the Treasury and two other minor departments, and the writer was deputy head of the Agriculture Department. This was an out and out "business" administration. One never observed the slightest indication of "playing politics." The two new Provinces created from these territories were started practically without a dollar of public debt, on autonomy being granted. Look at their financial position today!

3.

When Canada, or, at least, those parts of Canada that formed the nucleus of the present Federation, received from the Imperial Parliament responsible self-government, it was modelled upon the constitution, written and unwritten, of Great Britain. When the Federation of Canada was finally accomplished and a far-flung empire created, reaching from the Atlantic to the Pacific, this constitution

was automatically extended. It apparently never occurred to anyone to examine it critically, with a view to ascertaining whether it was as suitable for Canada as it had proved to be for Great Britain. It is to be noted, that when the United States seceded from Britain and drafted its own constitution, it did not adopt holus-bolus the form of government which then existed in Great Britain. Perhaps Uncle Sam was wise in his generation.

When a new President is elected in the United States he invites to his Cabinet the most outstanding personalities in the country. Each is selected with a view to his special fitness for the department he is to administer. While the President may not always exercise exceptional judgment, and while party considerations may, and frequently do, dictate nominations, yet there cannot be the least doubt, that on the whole, the cabinet material of that country is generally of the very highest order. The President has the whole country to select from.

In Canada, on the contrary, the system works quite differently. Let us suppose that a General Election returns the opposition party to power, with a workable majority. The leader is thereupon requested by the King's representative to form a government. The first obstacle to intelligent selection that meets the new Prime Minister, who is, of course, practically restricted, in his selection, to the elected members of Parliament, is territorial claims. The unwritten law is, that each Province must have so many cabinet representatives. Next comes the fact, that a certain number

of these cabinet representatives must, if possible, be French-speaking. Then come religious considerations. An undue preponderance of Methodists, Presbyterians or Roman Catholics could not, for a moment, be countenanced.

We are apt to witness the spectacle, that from some province entitled to perhaps one cabinet representative, the Government has a total elected following of possibly three members. One of these may be a Roman Catholic or may belong to some other denomination already too largely represented in the Cabinet. He must, therefore, be discarded. The choice is then narrowed to the two remaining members. One of them is perhaps absolutely impossible from every point of view or there may be doubt as to his chances of re-election. The new Prime Minister is finally face to face with no choice whatever. There only remains one man whom it is possible to include in his Cabinet. On the other hand, there may be most excellent cabinet material in the new House from other provinces, which cannot be used for territorial or other reasons.

This statement is by no means overdrawn. There is scarcely ever a government formed, that does not include several members who find themselves within the charmed circle purely by force of circumstances. Men, who, in private life, probably would not be entrusted with the responsibility of managing the smallest kind of business, are pitchforked into the administration of important public departments. Every possible consideration, except

that of efficiency, governs in the construction of a Dominion cabinet. In the provinces the same conditions generally apply in perhaps a more modified form. The result is, that Canadian statesmen frequently serve no apprenticeship whatever. They walk from the shop or office straight into His Majesty's Privy Council or into Provincial Cabinets. This system is a rank violation of the first principles of effective business organization, which seldom promotes by leaps and bounds. Few men possess sufficient balance to be proof against the destructive influence of spectacular promotion. It ruins many a good man. In the United States, as we have seen, none but outstanding men of national reputation can hope to be invited into the cabinet. In Great Britain, the ambitious man first seeks service as private secretary to some under-secretary, afterwards to a cabinet minister. Then he may hope to get a Parliamentary Under-Secretaryship and, after making good in such a post, may finally enter the cabinet, with full rank.

The excuse that this weird system of ours is inherited from Great Britain is no argument at all. As is well known, territorial claims receive no consideration whatever in the selection of British cabinet ministers. The reason for this, of course, may partly be found in the fact that Great Britain is a much more compact country than Canada. One would, however, expect territorial ambitions to make themselves felt in Scotland, Ireland and Wales. However, this is not so. The people there have evidently found that they can rise above such

considerations. If Canada is ever to enjoy efficient "business" Government, it is quite evident, that local jealousies must be eliminated so as to leave to the Prime Minister, at least, the meagre privilege of selecting from amongst his entire following in Parliament the best talent that may be available, irrespective of creed, race or territorial considerations. Even with this privilege conceded, he will find himself greatly hampered. This is something for the free and independent voter to think about.

4.

Let us suppose, that the honourable and distinguished member from Podunk Centre, who has just been invited to join the Government, in due course reaches the nation's capital, or the capital of his province, as the case may be, and is, with much pomp and many ceremonies, sworn in as a member of His Majesty's Privy Council or the Council of the Province. He is introduced to the leading officers of his department and takes possession of the Minister's office. Then follows a series of banquets, tendered by admiring fellow citizens. His life is publicly reviewed from childhood to adolescence. Interesting incidents, foreshadowing the great career yet to come, are dug up by ex-schoolmates. He is, in short, wined, dined, fulsomely praised and loudly heralded as Podunk Centre's great son. By the time he returns to his department, he is fired with laudable ambitions. He also, unless he is mentally very well-balanced, is rapidly developing a "swelled" head. He is

going to "run" his department. He is going to be no figure-head.

There is, and has been, in present and past governments of Canada, a preponderance of wide-gauge, able men of affairs, and in many instances, men of very great capacity indeed. But the mediocre element is also represented. Our friend from Podunk Centre belongs, of course, to the latter type. We will follow his meteoric course a little further. Statistics show that his previous administrative experience has generally been gained in a law office and has probably been confined to paying his office rent, and hiring and firing a few clerks. Yet this heaven-born administrator is going to "run" a great public department.

His deputy and many of the leading officers were probably appointed by a previous government of the opposite political stripe. Therefore, these men cannot, of course, be trusted. They will get him "in wrong" with the public and "our friends." He finds himself overwhelmed with unfamiliar detail. He most probably has no executive ability whatever. Public business is held up. Constructive effort is absent. He finally succeeds in fairly disorganizing a complicated machine and then reluctantly capitulates and, after a while, if he has an average amount of common sense, he begins to see the wisdom of refraining from meddling. It may then dawn upon him, that he is a "policy" man and not an executive. His education has begun.

Broadly speaking, the curse of public administration in Canada is precisely the failure of minis-

ters to understand where their responsibilities begin and end. This is particularly true in Provincial administration. We are overwhelmed with amateur administrators and egregious blunderers. If we were less "plentifully" governed, our cabinet ministers would probably find it necessary to devote their exclusive attention to "government" instead of detailed administration, which is not, or should not be, their proper function. Councils would also give careful consideration to great questions of public policy instead of wasting time over the repair of the parish pump. What we lack in Canadian governments is constructive policy and driving power from within. We shall never get it under present conditions. Our executive and administrative machinery must be made to function more efficiently, and with less periodic disturbance.

But it is perhaps unfair to expect too much, from our Federal Ministers, at any rate. Just think of the salaries we pay! The Prime Minister of Canada receives the pay of the manager of a fairly important branch bank in Canada. He has to run an expensive election every four years or so and is also called upon to entertain and live up to his great position. Could anything be more ridiculous and parsimonious? Most of the members of the Federal Cabinet make heavy sacrifices in accepting portfolios, although some of them, of course, are very much overpaid. As a rule, the Provinces are more liberal paymasters and the class of men largely found in Provincial Governments probably

never made more money in their lives before. We should revise our whole scheme of Federal administration, starting with the salaries of Ministers.

5.

Our Civil Services, provincial and federal, are on an entirely wrong basis. An effort has been made by the Dominion authorities to abolish patronage by creating a Civil Service Commission. In most of the Provinces the "spoils" system is frankly in vogue. It is doubtful whether appointments by a commission will result in personnel much superior to the old patronage system, *i.e.*, nomination by members of Parliament.

How would a great business concern handle this question? The head would appoint his principal executives, the executives their staffs, and so on all the way down. A chain of responsibility would thus be established from the bottom up. Our great railway organizations, with many times the number of employees our Governments have, are built on this plan. The president of the company appoints his general manager. The latter selects his superintendents, who in turn exercise control over the roadmasters, who appoint the section foremen, who hire and fire the maintenance-of-way men under them. It is a system of rigid responsibility of bosses, for the work and actions of their subordinates.

Is there any reason why a deputy head of a public department, selected by the responsible minister, should not be responsible for the appoint-

ment of his chief lieutenants and each of these in turn appoint or nominate the subordinates in his own branch or bureau? We could then hold our men responsible for results, which we cannot do now. This would be sound organization.

There also seems to be a superstition abroad, and I feel bound to say, that it is not confined to Canada, that once a person enters the public service of his country he is provided for during life. His appointment is formally made by order-in-council and is virtually permanent, subject to good behaviour. In the bad old days, it frequently lasted only until another political party took the helm. This condition, founded on absolutely mischievous reasoning, is largely responsible for our notorious failure to attain maximum efficiency and economy in our public business. I see no reason why an appointment to the public service of Canada should rest on a more permanent basis than one to the service of a railway company or other large business concern. It is precisely this security of tenure idea that destroys the morale of our Civil Service. That fact was clearly established in connection with the recent searching investigation of the Federal Printing Bureau. A commercial printing office employs such hands as are needed from day to day. The Printing Bureau, on the other hand, proceeded on the assumption that a public employee held his job for life, with the inevitable result. He should, of course, hold his employment on two grounds only, first, that his particular job is useful, and, secondly, that he is "making

good." That is the unwritten law in business life and should also be the accepted standard in public employment.

Deductions for superannuation should be discontinued. This system merely creates a vested interest on the part of the contributing civil servant. The country should follow the plan of the Canadian Pacific Railway and make independent provision for aged employees. This would give the Government a much freer hand in dispensing at any time with inferior servants.

The present Civil Service Commission has done excellent work and could, under the system suggested, render still more valuable services. It should remain the clearing house and receive all applications for employment, including those submitted through members of Parliament. It should occupy the front trenches against any attack by patronage hunters and would be a Government employment bureau to which the various responsible officials would apply for such help as was needed. But the appointment would be made by the responsible officer and not by the Commission. It could also deal with cases of complaint of wrongful dismissal. It could assist in improving the service in a hundred ways, especially with respect to economy and efficiency. It should have complete power of investigation into office organization in any department of the service and should have on its staff efficiency experts in various lines. It should interest itself in promoting standard office routine and practice throughout the entire service.

I shall, of course, at once be told, that all this would mean a return to the "spoils" system, from which Heaven preserve us. I claim, on the other hand, that if we cannot introduce common, honest business methods into such a comparatively simple task as administering the ordinary services of Government, what is the use of even talking about throwing further administrative burdens on the State? The whole proposal of State socialism and all it involves falls to the ground absolutely and ignominiously. The bold assertion apparently is, that any deputy-head who offended members of Parliament by refusing to employ their incompetent protégés, would lose his job. Personally, I believe we have progressed beyond that point. The right sort of deputy-head would not lose his job.

6.

During the period of the War, the Federal Government deemed it necessary to create various boards and commissions to administer certain new and special war services. It became fashionable amongst a certain class of newspapers and public speakers to cast ridicule on this new development in administration. The phrase "government by commission" was coined and worked to death. One often wonders whether these self-appointed critics ever gave a moment's serious thought to the matter. Most probably, it was only a manifestation of the deep-seated disease preying upon the electorate of our country—the habit of condemning everything

and anything a political party, with which one is not in sympathy, does or says. Is such a state of mind really universal or is it just plain lunacy?

It is, of course, not the function of the elected representatives of the people to manage the people's business. Their duty is to consider the policy to be followed by the responsible ministry, which appoints properly qualified officers, for whose administration it becomes responsible. This is the only sound principle on which public business can be conducted. When the war came, the Government wisely recognized the impossibility of properly performing, directly, the many new functions forced upon it by exigencies of war, and, therefore, resorted to the commission expedient. The experiment proved satisfactory. Some of these war institutions, notably the War Purchasing Commission, did such successful work and effected such striking economies, that they are now to be merged in the permanent establishment at Ottawa in their present, or a slightly modified, form.

As a general proposition, and having in view efficiency, the various Governments throughout Canada might well study the success of these Federal administrative war commissions. It is borne in upon one's mind with irresistible force, that Government departments might with advantage confine their efforts, largely, to the collection of revenue, general investigation, and purely administrative work. The great spending departments of the Government, such as the Post Office and Public Works Departments, should be administered by a

small executive board or commission, including the chief officers of each department, possibly presided over by the responsible Minister. This principle has now been recognized as sound by the amalgamation of Government railways under the management of a board of directors nominated by the Government.

Can any argument be advanced against the elimination of partisan politics from the Post Office management, for instance? Will anyone deny, that ten per cent. of the post offices and mail routes in Canada are absolutely unnecessary, that the Minister is importuned by local members for new offices and other favours day in and day out, that, in fact, under capable management, the really beneficial services of the department could be vastly improved and the annual deficit be transformed into a surplus?

A new minister comes in. He is imbued with progressive ideas. His administration shall be a red letter period in Canada's postal administration. "Penny postage" is the thing. The letter rate is reduced and followed by further post-office deficits. But this minister is heralded as a public benefactor. Of course, it is all for personal glorification and political effect. And the joke of it is, that the man on the street fails to be impressed. The man on the farm laughs at it all. How many letters does he write in a year? Does not the entire benefit of the reform almost exclusively affect the big mail-order establishments, financial institutions, and other interests that largely use the mail services of the

country? Would a business board endorse any such foolish, revenue-destroying proposal as that?

It will doubtless be argued, that the Post Office services should not be administered with a view to earning surpluses. On the other hand, it can scarcely be held that deficits should be tolerated. But there seems no adequate reason why such convenient and inexpensive machinery could not profitably be utilized to raise at least a moderate amount of surplus revenue, particularly in view of our present financial situation. If a farmer who buys a spade is to be compelled to contribute towards the revenues of the country by means of consumption taxation, it seems unreasonable, that a mail-order house or a bank should be given the privilege of using the mails at cost, or even below cost. We might as well be consistent and revise all these obsolete, finespun theories. Canada needs the money.

And public works? Is it necessary to argue further? Canada's political history is full of the most flagrant abuses and corruption in connection with our Federal and Provincial Public Works Departments. It is high time that the proverbial "pork barrel" was relegated to the background, and our enormous annual national and provincial expenditures in this respect placed under proper business supervision and divorced entirely from party political management. One could write volumes on the subject, but the case is too convincing and instances too well known to necessitate further comment.

7.

Canada's imitation House of Lords, our national "Divorce Mill," is perhaps the most pathetically inefficient and impotent branch of our representative system. While the House of Lords at Westminster has been described as the most brilliant aggregation of legislators in the world, and, while the Senate of the United States has arrogated to itself the supreme position in the administration of that country, Canada's Senate has generally been ineffective and mediocre. When, in the political history of the country, it has been called upon to be gloriously patriotic, it has only been partisan. Whatever the Upper Chamber was intended to do has surely never been done, as one can credit scarcely a single great action to this fifth wheel of our legislative machinery. It is supposed to serve as a check on ill-considered, ill-digested legislation. It does not fulfil that function. If it did, its life would probably be short, because the country would not tamely submit to gravely electing its popular representatives merely to have their acts nullified by a wholly irresponsible body.

The British North America Act 1867 provided for the appointment of 24 senators each for Quebec and Ontario and the same number for the Maritime Provinces. Why 24 and not 48, or any other arbitrary number has never been explained. Other portions of Canada have necessarily had to be dealt with, by way of amendment to the Act, from time to time. This is another bright and shining

example of the delightfully promiscuous methods of our Fathers of Confederation. There was evidently no definite purpose or plan to be served in making provisions for Canada's Upper Chamber. In the United States, there are two senators representing each political unit. Nevada, with less than a hundred thousand people, has precisely the same senate representation as New York with over nine millions. The senate there is evidently designed to protect the interests of the smaller States and less densely populated sections of the Union. This is a definite and clear-cut mission.

It is not difficult to trace the causes of the generally unsatisfactory status of Canada's Senate. The vicious practice of making the Senate a convenient vehicle for bestowing rewards upon useful and importunate party-hacks, and making it the dumping-ground for mediocre politicians rejected at the polls, has something to do with it. This flagrant prostitution of a legislative body that surely must have been intended to fulfil important duties, functioning in an atmosphere removed from partisan and other sordid influences, has evidently brought in its train the inevitable result—public contempt and dry-rot. Such a body obviously cannot rise above its personnel, and the responsibility for this lies with past and present Governments.

That the Senate should be frankly partisan in its attitude towards legislation submitted to it, now seems to be accepted as a matter of course. Yet, a moment's reflection should make it clear, that this is precisely what the senate should never be, under

any circumstances whatever. The mere suspicion of partisanship destroys the last shred of its usefulness and justification in the public estimation. A partisan senator should be placed in the same category as a partisan judge—an object of scorn and contempt.

A popular grievance against the Senate is its tender solicitude for the welfare of the "interests." Perhaps this is partly accounted for by the fact, that out of its complement of 93 members, there are 23 lawyers, and 60 representatives of other professions, commerce and industry. The interests of agriculture are championed by 9 farmers and labour has one whole undivided representative all to herself! I might in all fairness add, that there has been a noticeable improvement in the personnel of the more recently appointed senators, and that there now seems to be a disposition to provide for more adequate representation of agriculture and labour in the Upper House.

If we are to maintain an expensive institution like the Senate, arrangements ought certainly to be made to give it useful work to do and to put a check on the appointments. As a first step, in connection with all nominations to the Senate, provision might very well be made compelling the government of the day, to submit to Parliament the name of the proposed appointee, with a complete record of the public services he has performed, and a statement of the special qualifications that caused the Government to recommend him as a useful addition to the Upper House. Provision should

also be made for the retirement of Senators upon reaching an advanced age. Compulsory attendance at all sessions of the Senate, or evidence of physical inability to attend, should likewise be insisted upon, and absence for a certain length of time should automatically render the seat vacant. These reforms would be better than the present intolerable situation.

CHAPTER FIVE

PUBLIC ADMINISTRATION OF COMMERCE AND INDUSTRY

1.

IT cannot be denied, that as an educational factor, political and social, the Great War occupies the centre of the stage. During the past four years we have been taught many illuminating lessons, the most striking of all being perhaps the facility with which the State stepped in, all over the world, and calmly took possession of mines, great industries, steamships and railways. It organized huge trading concerns, wrote insurance by the billion, in fact, did precisely all the things that our reactionaries have sedulously been telling us could never be done by the State. Vested interests were swept to one side over-night, and State control came into being, and the evidence now available seems to be, that the latter, on the whole, proved very successful.

All this happened under war conditions, and it is not perhaps fair to draw too rigid conclusions from the special experiences of war-time. One important factor in favour of success was undoubtedly, that all petty, partisan criticisms were silenced during the great crisis, thus giving governments a freer hand; also that outstanding men, who, under ordinary circumstances, could not be secured for

public employment, were available for responsible positions. But the fact remains, that this thing has been done, and successfully, and the "man on the street" is therefore, not as timid in discussing the policy of public ownership and administration, as he was once upon a time. The chances are, that a sufficient number of people may even be induced to vote for it one of these days, when the "powers that be" will be confronted with the problem as a practical proposition.

In the earlier forms of civilization the only public responsibility undertaken was to organize the nation to repel attacks from the outside and thus enable the people to pursue their callings in peace. As civilization progressed and became more complicated, the State found it necessary to interest itself more closely in the life of the individual citizen in many ways. To-day the State performs an enormous amount of what is properly called welfare work. Health, sanitation, education, the protection of life and property, etc., are all regarded as legitimate state enterprises. The individualistic attitude is vanishing. The "new spirit" is abroad, and it is difficult to forecast what new activities in the way of public enterprise the not distant future may have in store for us.

It is usual at socialist and Bolshevist meetings in Canada to denounce the "interests" and to demand Government ownership and operation of this, that and the other utility and industry. The issue is distinctly before the country and the disciples of Karl Marx will see to it, that it remains

there. Under the circumstances, it is in order to examine the proposal judicially and fairly. It is, judging by past standards, an extraordinary and unusual proposition, but we must train our minds to get used to these unusual proposals. They are here to stay.

We hear a great deal of criticism in connection with the organization of "big business," and not entirely without good reason. Big business, however, is not necessarily bad business or corrupt business. In the amalgamation of industrial concerns, banks, railways, etc., vast economies are generally effected, which, under public-spirited management, would benefit the consumer in the way of lower prices. The actual effect has, however, generally been exactly the reverse. With the elimination of competition, prices have often, not always, been increased. These mergers have also been made the excuse for the inflation of capital for which the consumer is asked to provide dividends. This perhaps is the most objectionable feature of such transactions and is dealt with elsewhere. In the United States the Sherman Act has put a stop to such operations. Those who believe in public ownership may, however, derive some comfort from the fact, that the creation of mergers is a very valuable contribution towards the cause they espouse. The merger has been well characterized as the "halfway house to public ownership." Obviously the State or the municipality can much more readily take over a well organized monopolistic industry than a vast number of smaller con-

cerns acting independently. Therefore, let the good work proceed—but control the merger, as far as possible.

It is universally conceded that the principle of co-operation is sound. Co-operative business has made enormous strides in many European countries and in some of the overseas colonies. We have outstanding examples of successful cohesive effort in organized business in Canada. The Grain Growers movement in the West is a case in point. We must also take into consideration the indisputable fact, that the first step in civilization was the co-ordination of energy and the banding together of human beings for co-operative effort in mutual aid. Every advance in social and individual growth may be traced to cohesive organization. Public administration of business and industry is merely a step in the evolution of the co-operative principle. In fact, it is its logical goal.

On looking back a few decades, one is impressed with the fact, that the tendency in Canada has been distinctly toward public ownership of utilities. Urban centres which had granted franchises for water supply, lighting, surface transportation, etc., have gradually, on the expiration of these monopolies, gathered them into their own municipal organizations and, on the whole, efficiency and economy have been fairly well observed in the administration of such utilities. The cases of glaring failure have probably not been much more numerous than they would have been under private or corporate ownership. In other words, the

experiment has been reasonably encouraging up to date. If, here and there, money has been lost on operation, the chances are that the citizens have benefited in better service than they would have received under private control.

The following are the four main questions to be examined in regard to the feasibility of a general policy of public administration of commerce and industry:

(1) Are we far enough advanced socially and educationally to eliminate the element of competition from our industrial and commercial system?

(2) Can the Government operate as economically and efficiently as private enterprise?

(3) Will the public prove to be a better and more generous employer than private enterprise?

(4) What would be the political effect of widespread public administration?

There are very grave reasons for approaching the subject with great caution and a realization that much new ground may have to be broken before Canada can safely tread the paths of advanced socialism. The subject of the nationalization of industry is so vast and complicated, that no more than a very superficial examination of the matter can be attempted here.

2.

The most outstanding effect of public administration would be the elimination of competition and of private gain. The term "public administration" would, of course, include Federal, Provin-

cial, and Municipal management of business. At first sight, and to our very limited vision, the proposal is staggering, but on closer study it will be found to be in line with human progress generally. It is dangerous to set up private industry as a thing sacred and inviolate. We should realize that industry carried out on the present enormous scale, and under the factory system, is of comparatively modern origin. Our old people will remember a very different organization of industry. It might, therefore, with perfect propriety be held, that the factory system, coupled with private or corporate ownership, is just on trial and is as yet in the experimental stage. Considerations of public interest will ultimately govern the policy to be followed.

Our competitive system unquestionably rests upon a reasonably sound foundation. There are many objections to it, but much to be said for it. The wisdom of its abolition as a feature of our complicated industrial and commercial life cannot be determined purely from a point of view of economy. It is a social question primarily. A nation cannot advance faster than its individual citizens. I cannot do better than to quote Smiles on the general subject of competition. This is what he says:

. . . . Some allege that this want of sympathy arises, for the most part, from the evils of competition. It is "heartless," "selfish," "mischievous," "ruinous" and so on. It is said to produce misery and poverty to the million. It is charged with lowering prices, or, almost in the same breath, with raising them. Competition has a broad back and can bear any amount of burdens.

And yet there is something to be said for competition,

as well as against it. It is a struggle—that must be admitted. All life is a struggle. Among workmen, competition is a struggle to advance toward higher wages. Among masters, to make the highest profits. Among writers, preachers and politicians, it is a struggle to succeed—to gain glory, reputation or income. Like everything human, it has a mixture of evil in it. If one man prospers more than others, or if some classes of men prosper more than others, they leave other classes of men behind them. Not that they leave those others worse, but that they themselves advance.

Put a stop to competition and you merely check the progress of individuals and of classes. You preserve a dead uniform level. You stereotype society and its several orders and conditions. The motive for emulation is taken away and caste, with all its mischiefs, is perpetuated. Stop competition, and you stop the struggle of individualism. You also stop the advancement of individualism and, through that, of society at large.

Under competition, the lazy man is put under the necessity of exerting himself; and if he will not exert himself, he must fall behind. If he do not work, neither shall he eat. My lazy friend, you must not look to me to do my share of the world's work and yours too! You must do your own fair share of work, save your own money, and not look to me and to others to keep you out of the poorhouse. There is enough for all; but do your own share of work you must.

Success grows out of struggles to overcome difficulties. If there were no difficulties, there would be no success. If there were nothing to struggle or compete for, there would be nothing achieved. It is well, therefore, that men should be under the necessity of exerting themselves. In this necessity for exertion we find the chief source of human advancement—the advancement of individuals as of nations. It has led to most of the splendid mechanical inventions and improvements of the age. It has stimulated the ship-builder, the merchant, the manufacturer, the machinist, the tradesman, the skilled workman. In all departments of productive industry, it has been the moving power. It has developed the resources of this and other countries—the resources of the soil, and the character and

qualities of the men who dwell upon it. It seems to be absolutely necessary for the purpose of stimulating the growth and culture of every individual. It is deeply rooted in man, leading him ever to seek after, and endeavour to realize, something better and higher than he has yet attained. . . .

I could wish that every impatient reformer would learn this by heart and ask himself honestly whether our social state is sufficiently far advanced to eliminate the impulse of competition from our daily lives and efforts. Much water will run under the bridges before the sense of duty to the public is sufficiently strongly developed, even in the majority of men, to justify our country in embarking upon any wide policy that would ignore the driving power of competition.

Our labour organizations today are, in a measure, endeavouring to minimize the effect of the competitive system by means of the standard wage. But, on the other hand, no trade union man would for a moment subscribe to the principle, that the hodcarrier should receive the same pay as the bricklayer, or the labourer as the plumber. Such being the case, the principle must also be accepted, that the foreman must receive higher pay than those below him and the competent manager still higher. All of which is tantamount to admitting, that human beings are cast in various moulds, that the value of their services consequently varies enormously, and that this principle applies even within the same occupations. It also becomes clear, that no cast-iron rules that eliminate the personal equation can be enforced with justice. Some one,

in fact, must determine the value of the services of each individual and this value, in turn, depends largely on the amount of competition there is for such services. The consistent socialist evidently has obstacles to surmount, and, possibly, sacrifices to make, before the world can accept his creed of equality!

The great majority of those who believe in public administration of enterprise would confine such activities to utilities and perhaps certain selected industries and business enterprises that would readily lend themselves to consolidation under State or municipal management. But there are some people who would include every business activity. The industrial and business development of a nation is promoted by the progressive element of its population, those men who will take a chance and pilot a venture into safe waters in the face of almost insuperable handicaps. The State or municipality will take small chances only. In business it becomes a case of the "survival of the fittest." Many ventures fail—some succeed. The personal equation is often the governing factor.

If every avenue of speculative effort were closed and nothing but the "sure thing" had any chance of active development, which would be the case under consistent public control, we should run a great risk of utter national stagnation. Our natural resources would remain undeveloped and unemployment would follow. A new country organized on such a basis would utterly fail in its mission. Its men and women would presently lose

all initiative and would gradually become unfit for their duties as citizens of a democracy. Inertia would hold sway. The human unit would degenerate. Even the most ardent disciple of Karl Marx cannot ignore these very potent facts. Before private enterprise, spurred into vigorous and daring action by the hope of ultimate success and its legitimate reward, can be entirely ignored as a factor in our scheme of national life, a new and superior race of men and women, with higher ideals and aspirations, patiently inculcated through generations of high thinking and plain living, must take the places of the modern frail and selfish human animals. That seems reasonably clear.

3.

A very important argument in favor of public administration lies in the facility with which capital can be thereby obtained for all legitimate purposes and the low rate of interest at which it can be employed. This is, of course, an enormous advantage if properly utilized and if other things are equal. Private or corporate ownership cannot begin to compete in this respect. Another asset is the ability of the public to create a monopoly, absolute or virtual, and, therefore, to absorb all the business available in any particular line. No city, operating its own lighting plant, for instance, would grant a franchise to a private concern to supply current to its citizens. It would wisely preserve its monopoly. A certain amount of goodwill which has a distinct business value may also be expected

in connection with any municipal or state-operated concern. The public, enjoying first-class credit, can also buy its material for cash and thus effect great saving. Having no competition, it can sell for cash only, and eliminate bad debts and expensive book-keeping. There are many great advantages to be urged in favour of public administration of business or industry. The greatest obstacle to efficient and economical public administration lies undoubtedly in the handicaps imposed by our defective social organization. This must be improved, indeed re-organized, before the best results can be obtained. This, again, involves a reconstruction of our whole point of view towards public affairs.

In all successful enterprise, the direction and inspiration come from the top. It centres ultimately in one single individual, who has the capacity and imagination to organize, direct and inspire his subordinates. Such an individual commands a high rate of remuneration. He furnishes the brains and driving power of all successful undertakings. The competition for his services is keen. He possesses, perhaps, the most valuable business qualification with which any human being can be endowed. He is seldom in public employment. The price offered is not high enough and the conditions of employment are unsatisfactory and generally distasteful.

Strange as it may appear, one of the main problems of public administration is making it possible to induce this type of man to accept public service. He knows his own value. He is not a political log-roller or ward-heeler. He will

not put up with the ignorant and vicious criticism or interference of the butcher-alderman or the backwoods lawyer, who has successfully broken into politics, any more than he would stand for similar tactics from an over-fed capitalist or pompous director under private or corporate employment. Neither has he any intention whatever of being hounded by or being made the innocent victim of, partisan attacks on the administration of the day, Federal, Provincial or Municipal, by sensational newspapers, whose one mission in life is to throw discredit on the "ins" to the advantage of the "outs." The type of man under discussion jealously guards his reputation. It is his stock-in-trade. He cannot afford to jeopardize it through having his name dragged in the mud in the interest of partisan politics. And this is generally the ultimate fate of professional men who manage public utilities today.

It is not, of course, sufficient to employ the organizing genius in connection with public undertakings. We must also ensure that, while this man is directly responsible to some elected body, or a committee thereof, he is given a sufficiently free hand in buying and selling, and hiring and firing.

Granting that these difficulties and obstacles can be removed, and the services of the successful administrator obtained, and retained, for the benefit of the public, there is scarcely any limit to feasible public administration, but until such can be done, through the force of public opinion, which apparently must assert itself more than it has in the

past, we had better go slowly in Canada in the direction of assuming responsibilities of such a nature.

Quite incidentally, the failure of advanced socialism to recognize in its scheme of reorganization of industry and business the vital and outstanding position of the type of man referred to, stamps the whole system as unworkable. The clearest evidence of the impossibility of successfully eliminating "brains" from industrial management is furnished by the Maximalists in Russia. Industrial management there was unceremoniously "fired" and its place taken by committees of workmen. Needless to say, in a very short time these industries came to an absolute stand-still. There was no money available in the bank to pay the workmen's wages. The expenditure of the Supreme Council of National Economy, which operates Russian industries, rose from 15 million rubles in the first half year to 1,674 millions in the last half year. Seven nationalized industries produced goods that actually had to be sold at one half of the cost of production and the statement is freely made, that the average loss on production in all industries publicly administered is from 30% to 50%. Of 232 sugar factories 198 have had to close down. The transportation system of the country is absolutely demoralized. In fact, the whole country is, industrially, quite disorganized. The old managers are now being brought back, frequently at the point of a gun, and commanded to resume their former duties and responsibilities, to bring order out of chaos.

The complete disregard by our modern socialist of the supreme importance of skilled management in industry is almost pathetic. It is painfully clear that socialistic doctrines need revision very badly in the light of the experiences of recent years and the dictates of common business sense. However important capital and labour may fancy themselves to be, the most important element in successful industry is management.

Another serious drawback to public ownership and operation, even of utilities, is the general lack of intelligence and absence of clear thinking on the part of the average ratepayer. He finds it hard to understand the necessity for scrapping obsolete machinery before it is worn out, or for making capital expenditure on buildings and equipment to cheapen production and service. Municipal authorities cannot afford experimentation. They are too timid to take the ten per cent. chance of failure that private enterprise cheerfully assumes in working out an expensive problem that promises results. This attitude leads to stagnation in management and kills enterprise absolutely. No business can succeed conspicuously under such conditions.

The descendant of the founder of a famous machine-shop in England, recently showed an American efficiency engineer over his establishment. He pointed with pride to a metal lathe and informed this visitor that the machine was made by his ancestor and was still in operation and as good as new. So it was, but it should have been scrap-

ped many years previously. It was not taking off sufficient metal and was losing the firm money, every hour it was in use.

Conventional education will not suffice to broaden the point of view of the tax or rate-payer. Many well-educated men are narrow. The managers of public enterprise must, first of all, be treated fairly by the press and then be given full opportunity to state their case directly to the public by means of printed reports, in order that the average citizen may have the opportunity of informing himself on the conduct and policy of the enterprise in which he is virtually a stockholder. There is not sufficient publicity work of this sort being done by our progressive municipalities and, therefore, no educated public opinion is being developed on this great problem.

4.

The question of the position of labour under public administration is worthy of most serious thought on the part of labour organizations. At present, ideas on the subject of public ownership are very much in the flux. It is fairly safe to assume that, if labour decides that its best interest does not at present lie in employment by the public, the issue will be cheerfully shelved by other classes.

There are a great many points from which the question must be considered. If the public is the ideal employer and paymaster, as the advanced school of socialism claims, it, of course, follows, that the fullest and most impartial justice will be

meted out to labour in public employment. Facts, however, do not appear to justify this view.

The Government of Canada, for instance, is notoriously the meanest skinflint among employers. How the Federal authorities are able to retain the services of the multitude of highly skilled and capable men in the public service, is a mystery to me. In considering the lower grades of Federal employees, one is at once struck by the meagre wages of postmen, messengers, etc. Could anything be more wretched? The Provincial Governments are little better. In the face of an enormously increasing cost of living during recent years, salaries and wages have been practically stationary. Any slight advances or bonuses that have been asked by employees have been resisted by every possible means and, finally, grudgingly conceded. The present condition is decidedly a most discouraging state of affairs from the point of view of labour's interests under public administration.

The municipality as an employer is worthy of more than passing remark, as, under any scheme of public operation, it is evident that the municipality must play by far the most prominent part. Public utilities are now operated under municipal auspices all over Canada and we have, therefore, actual performance to guide us in our inquiry, apart from conclusions based on theory only.

The first astounding fact that greets the investigator is, that strikes of municipal employees have occurred frequently in various parts of Canada. Now, one can scarcely reconcile the right to strike,

with public employment, nor is it logical for labour so engaged to use the offensive measures apparently found necessary in dealing with irresponsible private employers. If the public is the ideal employer, coercive action cannot be justified. If not, labour must evidently revise its views on public administration. There seems no other alternative. If strikes, particularly the vicious syndicalistic strikes which have been so much in evidence of recent years in connection with municipal wages disputes, are to be included in the scheme of the municipalization of industry and business, the public will not be easily converted to the views of socialist labour on this subject. As a means of completely averting industrial warfare, the scheme might commend itself to thinking people. But trade unionism, as the word is now interpreted, apparently can have no justification or place in public employment. The present uncompromising attitude of labour in favour of the organization of municipal employees is quite inconsistent. We must get down to basic principles and cannot expect rules to work both ways.

The conclusion forced upon the average intellect, therefore, seems to be, that organized labour is not concerning itself with any constructive policy in regard to this question. It encourages loose thinking rather than the attitude of facing facts and constructing a consistent policy. It is a barefaced attempt at "running with the hare and hunting with the hounds." If the public, admittedly, is not a just and fair employer, little fault can be

found with the private employer for not being greater and juster than the whole. There is a political task to be performed here. A system should be worked out whereby justice may be done those who are employed by the public, and which should be a pattern for private employers to emulate and live up to. This would appear to be the very first step towards greater and better things. Constructive socialists should try their hands at this job. It is worthy of their best efforts.

5.

The last, but not least, important phase of public administration of business and industry is now to be considered, namely, the political effect of any widespread adoption of such a policy by the Federal or Provincial Government. An army of Government employees would be distributed throughout the country. In fact, the policy carried out in its entirety would mean, that a very large proportion of the urban adult population of Canada would owe its living directly to the Government. Such a state of affairs would present some interesting problems.

Each disgruntled employee would, of course, vote against the Government in a spirit of revenge or reprisal. The great majority of public servants would probably vote in favour of the Government of the day, out of loyalty. In both cases the motive behind the vote would be a highly improper one for a model democracy and would fail to convey a fair expression of opinion on the general

record of the Government. Such a vastly important section of the vote would in nearly all cases swing the whole election. It would be government by bureaucracy, pure and simple.

The Government, on the other hand, would realize, when face to face with a general election, that its own employees would be the determining factor in the election. Granting that human nature would not materially differ from its present state, the natural tendency would be to overload the public service with favours and benefits. One can almost visualize, on the eve of a general election, the efforts of the practical statesman, whose tenure of office depends upon a satisfied public service, and of the opposition element, striving to attain office. Each would go one better than the other, in the way of salaries, working hours, and pensions. The public servant would indeed be in an enviable position. Instead of working for the public, the public would work for him!

There would also be a great danger of creating an absolutely irresponsible bureaucracy. After all, there is only a very short step between autocracy, as they had it in Germany, and socialism carried out to its logical conclusion according to the generally accepted formula. In the socialistic State the individual must necessarily surrender certain important rights and liberties. He becomes the responsibility of the State, which must, in self-defence, have something to say about his particular position in the general scheme of production. This cannot safely be left to the sweet will of the

individual, who must work where his services can most advantageously be utilized.

6.

Human life is short and we are all prone to accept the view, that the evils surrounding us are there by divine dispensation, and have always existed; that the economic laws governing society are as old and immutable as civilization itself. This is a gross error. The law of supply and demand is comparatively modern, and our factory and capitalistic system still more so. We must endeavour not to allow new ideas to startle us too much, no matter how revolutionary they may at first appear.

Our Federal Government and many of our municipalities have made a good start in taking over and operating public utilities. This is obviously the first step and it behooves those, who see in the elimination of competition, and in the public administration of industry and commerce, the solution of all our social ills, to work honestly and faithfully towards the success of existing public enterprises, in order to gain converts for the extension of the principle. Those who deliberately close their eyes to the many serious obstacles in the way of the general nationalization of business enterprise, and who thus refuse to assist in their removal, are the worst enemies of this economic creed. The ranting demagogue and ignorant dreamer we have always with us. They are generally a hindrance to good causes.

Just another word on this subject. Public ad-

ministration necessarily involves the purchase or expropriation of private enterprise. Very interesting views are now being expressed by advanced thinkers on this subject. The doctrine of the inviolability of property is being severely attacked. It is pointed out, that prohibition, involving the destruction of millions of dollars of vested interest, was carried through without compensation. It is being seriously argued that public interest stands supreme and that individual property rights must yield first place to the former. The Manchester school of economic thought is going into the discard rapidly. The world is moving on to new accomplishments.

The municipal ownership of all utilities is now becoming the accepted policy all over Canada. Indeed, with the scrutiny of franchises, and the safeguards and handicaps under which they are granted nowadays, private capital will not be available for such enterprises much longer. The inevitable result will be, that as existing franchises expire, the public naturally assumes control and ownership. This is merely a step in the process of evolution, and the stride from the field of public utilities to the larger arena of commerce and industry will come, I hope, very gradually, as the human unit advances, intellectually and morally, and demonstrates his ability and fitness to take his place worthily as a cog in the complicated machinery of the socialized State.

CHAPTER SIX

OUR TRANSPORTATION PROBLEMS

1.

GREAT BRITAIN, in developing the most inefficient transportation system on earth, unwittingly rendered services of incalculable value to her overseas dominions. They all profited by the horrible example—that is, all but Canada. To our Canadian statesmen the fact, that a certain policy is adopted in Great Britain and the United States, at once places it beyond all argument. Of course, it is the very acme of perfection. In Great Britain the trains run to the minute, the road beds are perfect, the running time cut down to the last second, the cars are most comfortable—what more could any one ask? To the visitor it is at first glance a demonstration of marvellous efficiency all around.

But when he digs below the comparatively unimportant passenger facilities and gets down to the all-important question of freight traffic, he is confronted with startling revelations. In some cases, freight rates in England on privately owned railways, are ten times as large as the rates on Government operated lines on the Continent of Europe. You can ship frozen meats from New Zealand to a British port at one-half the cost of shipping British meat to the same port from another county in England. British agriculture has been strangled and destroyed under the blighting influence of its rail-

way system. The canal system of England has been almost completely absorbed by the railway interests and competition thus eliminated. Parliament is impotent. It is said that twenty per cent. of the members of the British House of Commons are directors of British railways and the majority of the members own railway shares or bonds. Every effort at reform is stifled at birth.

Canada, too, might have drawn a lesson from this state of affairs and supported the Hon. Joseph Howe in his fearless championship of public ownership of railways in the early days of Canada's history, but the practical politician has always been much more popular with us than the statesman, who is seldom picturesque and cannot perhaps appeal to the voter with the same force as the practised stump orator. Consequently, the excursions we have made into that field of public ownership have been disappointing.

The earlier history of railway promotion in Canada is steeped in barefaced corruption. I am not going to rehash the nauseating details. Happily, there is every indication, that this blot on our public life is in process of being wiped out. From now on, the railways of Canada will probably not be conspicuous in politics. Undoubtedly, political rather than business considerations have in the past dictated our railway policies and we have thus succeeded in imposing upon this young country staggering burdens which must remain to impede our progress for generations to come. Ordinary intelligence also seems to have been lacking in some of the decisions reached and measures taken. We

have proceeded on our way like a ship without a rudder in charge of a drunken pilot!

2.

Highways, canals and railways serve the same purposes in the State, each in its own way. The statesman includes them all in his transportation policy. We do not build three separate and distinct highways, parallelling each other, between two given points. We pool our resources and build one high-class road and maintain it in good repair. We used to go in for two telephone systems at times, but common-sense generally prevailed in the end and one absorbed the other, thereby rendering more efficient service to its patrons. But we are still unable to eliminate the competition idea from our minds when we talk about railways. We still fondly imagine, that the more railways we have competing for business, the better we are off, when a moment's reflection should demonstrate to the most shallow minded, that the more competing railways we have, the worse we are off.

Canada now has a Railway Commission clothed with the most complete and arbitrary powers. No railway can advance rates without its formal consent. If any community deems itself discriminated against in rates or service, its case can be brought before this body, which will hear the evidence on both sides and render and enforce a decision. This constitutes complete control and eliminates practically the value of competition altogether. Rates all over Canada, passenger and freight, are standard. Ten railways or one, they remain the

same for all. Our whole and sole interest in railways, therefore, reduces itself absolutely to economical and efficient operation, so that rates may be reduced to, or kept at, the lowest possible level and the cost of living thereby prevented from increasing. Obviously, the greater the business any individual line controls, the more economically the traffic can be handled, and the lower the rates would necessarily be under our system of control. The more competition there is for a certain volume of traffic and the more roads share in it, quite clearly, the higher the cost per ton per mile and, consequently, the higher the rate the public must pay, and the higher the cost of living becomes. The case is self-evident and admits of no argument.

This is not to be construed into a special plea for Government operation of all our railways. I am far from satisfied, that a Government would exhibit greater efficiency than private enterprise. The time is past for speculating on this question. We should never have permitted the railway service of Canada to pass into the hands of private corporations. Canada's railway system should, in the first place, have been planned with a single eye to efficiency and economy in operation. Instead of several parallel lines into our great cities we would then have had one standard, double-track, or four-track, trunk line, capable of handling the entire business available, at the lowest cost. This was the greatest service Government ownership could ever have rendered Canada. But this splendid opportunity was, in the earlier history of the Dominion, recklessly dissipated by unscrupulous politicians

and incapable administrators. Now we must perforce lie on the bed we have ourselves made. It is too late in the day to wax enthusiastic about Government ownership. Fortunately, we have now secured adequate and efficient control of the transportation business of the country through a Railway Commission, which is the only point of material importance just now. That of ownership is a mere detail.

3.

Purely as a matter of interesting speculation, and in order to bring home to Canadians the extreme danger of the *laisser faire* attitude in regard to the railway policies of the country and general administration, it is useful to give a bird's eye view of the result of our past policy of subsidizing the construction of railways by private interest. The Drayton-Ackworth report contains the following statement showing the cost to the country of Government lines and also the aid given other systems by the Government of Canada:

—	Subsidies.	Proceeds of lands sold.	Loans outstanding or investment.	Guarantees outstanding.	Total.
	$	$	$	$	$
Canadian Northern.....	38,874,148	34,379,809	25,858,166	199,141,140	298,253,263
Canadian Pacific.....	104,690,801	123,810,124			228,500,925
Grand Trunk Railway....	13,003,060		15,142,633		28,145,693
Grand Trunk Pacific.....	726,320		70,311,716	43,432,848	114,470,884
Grand Trunk Pacific Branch Lines.....				13,469,004	13,469,004
National Transcontinental.			159,881,197		159,881,197
Intercolonial.....			116,234,204		116,234,204
Prince Edward Island			9,496,567		9,496,567
Total.....	157,294,329	158,189,933	396,924,483	256,042,992	968,451,737

Under subsidies to the Canadian Pacific Railway has been included the estimated cost of construction east of Winnipeg handed over to that company by the Government. The report above referred to in commenting on this statement goes on to say:—

". . . . Not counting the loss of interest for many years upon the investment in roads operated by the Government, it appears that for the eight systems, in which the public is most interested, the people of Canada, through their Governments, have provided, or guaranteed, the payment of sums totalling $968,451,737. This works out at over $30,000 per mile of road. But even this is not all. In addition, they have granted great areas of land as yet unsold and unpledged. They have undertaken the construction of other lines whose cost will be an important addition to this large outlay. Further, in the case of some of the companies included above, to which they have given or lent large sums of money to meet pressing needs, unlike private lenders, who would naturally have demanded a security charged in front of all previous investment, they have voluntarily accepted a charge ranking after the bulk of the private capital already put into the undertaking. . . ."

When will the people of Canada "wake up" and take an intelligent interest in the business management of the country? Here we have the appalling spectacle of seven hundred millions of dollars of cash and land donations, and contingent liability incurred, to provide necessary railway communication, while the State has not at this moment one dollar's worth of assets to show in return! There

cannot be the least doubt, that if, early in our history, our Governments had planned a single railway trunk system for Canada, with provision for extensions as required, the entire cost could have been met out of this amount, and the country would today be the owner of all its railways without further liability. Above everything, there would be no operating problem to meet. The undertaking would be on a paying basis unless strangled by mismanagement. Our childlike faith in our statesmen has been sublime. But perhaps the explanation is, that we have all been much too prosperous to bother about the nation's business. It is so much easier to "let George do it!"

4.

What is West and what is East in the United States? It varies with the flow of population. Chicago will soon be in the East. Ask the same question in Canada and there can never be any hesitation about the answer. We have in Canada an East and a West and a "no-man's land." And the pathetic part of it all is, that the latter divides the East and the West.

I say "pathetic" advisedly. This division, made in the wisdom of God Almighty, is, and always must be, the controlling factor in the social and economic life of Canada. It is the great national problem—the great obstacle to national unity. It is more than a problem. It is a calamity!

In the United States, they also have a no-man's land of desert and lava field. But, mark the difference! The industrial East and the agricultural

West form a fairly compact solid area there, with no-man's land beyond. And west of the desert lies tidewater and cheap ocean transportation.

Canada's agricultural West is hemmed in on the East by a thousand miles of wilderness and on the West by another few hundred miles of the same character of country, the Rocky Mountains. We cannot hope for cheaper transportation in either direction. It is an unpleasant prospect. Our no-man's-land is now a perpetual tax on the people of the West and to some extent on the East as well. It is the key to the transportation situation in Canada.

Well-meaning individuals, careless of their facts, sapiently assert that one of these days the despised lands lying between Manitoba and the settled portions of Ontario will supply homes for teeming millions and thus solve the problem. Let us at once dismiss from our minds any such attractive pipe-dream. That country is indeed a no-man's land and always will be. These are neither agricultural lands, nor are there minerals, nor timber resources, nor anything that will support a population. It will no more be developed than similar waste areas have been developed that to-day greet the eyes between Philadelphia and New York City, for the simple but conclusive reason that there is nothing to develop. Along the Canadian Pacific and Canadian Northern lines there is absolutely nothing outside of a small strip, "New Ontario." In the clay belt, along the National Transcontinental, there is some hope of a comparatively small agricultural development, but it will con-

tribute little to the solution of the problem as far, at least, as the present generation is concerned.

The Grand Trunk Railway was chartered in the fifties to connect Montreal with Toronto. Looking at the map to-day, this system, while not perhaps playing the game of patriotism, nevertheless seems to have had an intelligent grasp of Canada's problem in transportation. It promptly constructed and linked up with a system south of the line and secured entrances to Chicago, Portland, Detroit and other strategical points in the United States. With the opening of Western Canada, the obvious first step in transportation would, of course, have been to extend the Grand Trunk from Chicago, through St. Paul to Winnipeg, Portal, and westward to Vancouver over the present location of the Soo Line and Canadian Pacific. A further line from Winnipeg East to the Head of the Lakes would have given us a complete, sufficient and effective railway system through territory where almost every mile would have been traffic producing, outside the Rocky Mountains. And the mileage would have been shorter. Note how it figures out in comparison with the Canadian Pacific location north of Lake Superior:

Southern Route Through United States.

Montreal to Toronto	338 Miles
Toronto to Detroit	229
Detroit to Chicago	284
Chicago to Moose Jaw	929
Moose Jaw to Vancouver	1,080
	2,860 Miles

Northern Route, Canadian Pacific Railway.

Montreal to North Bay	340 Miles
North Bay to Fort William	652
Fort William to Moose Jaw	818
Moose Jaw to Vancouver	1,075
	2,885 Miles

While there is little difference in mileage from Montreal west, from Toronto to Vancouver via Chicago would be only 2,522 miles, while the mileage via the Lake Superior route, and the thousand miles of unproductive territory, is 2,885 miles.

Our choice, practically, was whether to build a railway through a thousand miles of sterile and unproductive territory in Canada, or to build a similar distance through the United States, where advantage could be taken of local traffic to the everlasting benefit of the whole system and all its patrons.

I shall, of course, at once be told, that it was Canada's duty, even in those early days, to provide a railway system of its own and not to be dependent upon a foreign country for transportation. And yet, the Canadian Pacific finds it feasible to-day to traverse the State of Maine to connect Montreal with St. John and Halifax in preference to making a long and expensive detour to the north. There would, however, be some force to this argument, if it could be shown that we are independent of the United States in other vital respects. But we are not. The very keystone of life, industry and steam transportation, particularly in a cold country, is

coal. Ontario and Quebec, in fact, the largest proportion of Canada's population at this moment, depend utterly and entirely on the United States for its fuel supply. In case of war, if such a condition could even be imagined, Uncle Sam would calmly stop our coal shipments and then turn over and go to sleep and our railways, industries and homes would be destroyed in a very brief period! This is literally the situation as it exists to-day and probably as it always will be. At least, no one has so far indicated how it could be changed. Under the circumstances, it behooves us to look at the business side, rather than consider sentiment. There is very little room for sentiment in figuring the rate on either a bushel of wheat or a ton of coal.

5.

Shortly after Confederation, overtures were made to British Columbia to join the family of Canadian provinces and territories. British Columbia's price was railway connection with the East, and, as a result, the Canadian Pacific was chartered and, after surmounting all sorts of obstacles and difficulties, was finally constructed. It stands to-day as a monument of efficiency and good management. Having obtained one full fledged, all-Canadian line through a thousand miles of unproductive territory, one would have thought that every possible concession had been made to those whose views on economical and efficient transportation were obscured by considerations of sentiment. But not so. During recent

years two more lines, the Canadian Northern and the National Transcontinental, have been chartered and built through the same territory and at enormous public expense. Both have, of course, failed miserably and are now on the hands of an over-enthusiastic State, and present a problem that almost defies human ingenuity in unravelling and administering so as not to involve the absolute abandonment of millions of dollars of capital expenditure. That such will ultimately be found expedient, few rational people doubt at this time.

It is refreshing to recall, that when the charter of the National Transcontinental came before Parliament, Sir Robert Borden, at that time leader of the Opposition, advanced the suggestion, that the Canadian Pacific line between Winnipeg and North Bay should be nationalized and improved, and all roads given running rights over it. This, of course, was the rational step for Canada to have taken, but the suggestion, emanating from the Opposition, could not be accepted. It would have looked too much like business methods. So it was promptly ridiculed by the Government of the day, and speaker after speaker dwelt on the enormous development that was to take place in the West, and predicted that the traffic available would soon be beyond the power of all three lines to cope with. And thus were fastened on Canada's wrists the manacles that will be there for generations after the amateur railway builders of that period have joined their forefathers.

6.

I have elsewhere referred to the danger of entrusting Governments with the unchecked expenditure of enormous sums of public money. I have suggested a small independent board, without whose endorsation important proposals might be, at least, delayed, or even abandoned without casting the responsibility directly upon the Government. The most striking example of how such ill-digested and ill-advised action may lead the country into the worse than useless expenditure of millions of dollars, is probably the Hudson's Bay Railway, part of which has already been constructed.

For many years there has been an agitation in the West for an outlet to Hudson's Bay for agricultural products, chiefly grain. On the map, such a plan looks attractive, but time and again, the route has been investigated by fairly competent authority, and has been uniformly condemned. The continued agitation, in spite of these adverse reports, is one of the extraordinary manifestations of human nature, difficult to account for satisfactorily. The explanation probably is, that the persistent request for the opening up of this route came chiefly, in fact entirely, from the farming class, and that no steps had ever been taken by the authorities to acquaint these people with the true facts. Governments apparently labour under the delusion, that when an item appears in the metropolitan papers of the East it automatically percolates to the extreme ends of rural districts. The Government

might advantageously make the acquaintance of the agricultural press of Canada.

The question, however, remained the subject of continual agitation, and was in due course incorporated in the platform of the organized farmers of the West. Then it was projected into politics. The late conservative party, of blessed memory, thereupon undertook to deal with the matter in a practical way. A further investigation was made and the report this time seemed to look more promising, and the Government, with a laudable desire to redeem its promises, made provision for immediate construction as a Government undertaking.

The outstanding fact in Canada's transportation situation today is, that we have three separate and distinct transcontinental lines, where two would be ample for all the business that is likely to develop for many years. The third is the proverbial fifth wheel to the wagon, and serves no other purpose than to absorb traffic that is badly needed by the other two, in order to operate economically and efficiently on a basis of reasonable rates. The building of a fourth grain-carrying route could have no other effect than to multiply further the difficulties of existing lines, and to embarrass further the situation generally. In the face of these conditions, the only sound justification for constructing this road would apparently be an absolute certainty, that a very large reduction in the cost of carrying the Western wheat to market would result.

But the most cursory consideration indicates that

there is little hope of any such benefits being derived from the Hudson's Bay route. The rail mileage from Western grain producing points to Port Nelson, the Hudson's Bay terminal, is very little shorter than to the Head of the Lakes, and it has yet to be shown, that grain can be carried cheaper from Port Nelson to Liverpool than from Fort William to the same port, taking higher insurance rates into consideration. Apart from this, the season of navigation via the Hudson's Bay route only extends over a few weeks and closes in most years before the Western grain movement is well started, so that the bulk of the grain would necessarily have to be held over until the following year at very large expense. I cannot do better than quote the summing up of the Royal Commission on Railways and Transportation on this subject:

". . . . We understand that construction work on the Hudson Bay line has been suspended. We think that the work should not in any case be recommenced till more urgent needs have been met, and money is more easily procurable. And if the work on the line is begun again, we think it should be done in the most economical manner possible, and only up to the standard of a local line, bearing in mind that it cannot be expected for many years to come to be self-supporting. Considering the small advantage in rail mileage from the grain-growing areas, which the Hudson Bay possesses over the existing routes to Port Arthur, and that from many districts it possesses no advantage at all; considering further the short and un-

certain period of navigation in the bay, and that grain consigned to Port Nelson will consequently always be liable to be detained there for nine months till navigation is again opened; considering that higher ocean freights may be expected to absorb, if not more than absorb, any possible saving in rail rates, we cannot believe that this route will ever secure any serious share in the export trade. Still less can we think that it will handle an import business. Unless considerable mineral wealth should be discovered in the territory which this line will open up, it must, we fear, continue to be almost indefinitely a burden upon the people of Canada. And everything that can be done should be done to make this burden as small as possible."

It was recently stated in Parliament that some twenty million dollars has now been spent on this undertaking. Over six million dollars has gone on terminals at Port Nelson. Canada has thus one more white elephant on her hands. A business concern, realizing the enormity of such a blunder, would charge the expenditure incurred up against profit and loss and forget about it, if it could. But Governments must put up a bold front. They never admit errors. That would be fatal, politically. We shall, therefore, in all probability, see construction work resumed there one of these days, and by further profuse expenditure of public funds, a new system will be created to compete for the limited class of traffic it will be capable of handling, and thus cut the throats of the two trans-

continental lines the Government is now struggling with, which will, in any event, eat up millions of the taxpayers' money in deficits, for many years to come.

I have no cut and dried remedy to offer for such a dangerous state of affairs. That it is the product of sheer ignorance is clear. Why should it be possible for any small group of men, probably lacking outstanding business ability, to pledge the country to purposeless expenditure of millions of dollars merely to satisfy the importunate demands of a class of citizens badly informed on the subject of the proposed expenditure? It is entirely wrong. The Government must, of course, in the end assume full responsibility to Parliament for any and all expenditure, but it should be possible to provide checks against action based on insufficient information and immature decisions. It is to be hoped, that the new National Railway directorate will be authorized to take this matter in hand and have it investigated and weighed in the balance as a commercial proposition, and without the least consideration of any political ends to be served.

7.

We have in Canada now three great railway systems, namely: (1) The National system, comprising the Canadian Northern, National Transcontinental and Intercolonial; (2) The Grand Trunk, including the Grand Trunk Pacific and (3) The Canadian Pacific. Negotiations are pending to amalgamate the first two systems, as recommended

in the Drayton-Ackworth report. The Grand Trunk Pacific has, however, been taken over under the receivership of the Minister of Railways. Amalgamation with the Grand Trunk would leave only two systems—the National and the Canadian Pacific. We may, I think, safely take it for granted, that such will be our ultimate railway line-up.

So far, the present Government has proceeded with commendable energy and promptness and a board composed of very able men has been appointed to direct the operations of the amalgamated Government railways in Canada. The personnel of the new organization, from the President down, also bears the stamp of efficiency. This is an evidence of good faith on the part of the present Government and a determination to keep the management free from political influence.

The capitalization per mile of the lines now included in the new system is illuminating. The Intercolonial embracing 1,941 miles of lines is capitalized at $71,000 per mile. If interest is included, which it should be, the capitalization would be over $100,000 per mile.

The National Transcontinental, comprising 1,811 miles of railway, was a veritable sink-hole for public funds. It represents actual expenditure of $92,000 per mile and, with interest charges capitalized, stands the country at approximately $113,000 per mile.

The Canadian Northern system was, on the whole, very economically built, although consider-

able further expenditure will be needed to bring it up to standard. It cost the country a total of about $45,000 per mile, including interest charges, and embraces somewhat under 10,000 miles of line.

The Grand Trunk Pacific was also a very costly undertaking, though well built. It includes 1,748 miles of lines, which, with the rolling stock, cost over $100,000 per mile.

The Canadian Pacific system now ranks as one of the world's colossal institutions. In Great Britain, and in foreign countries, the words are magical. They mean "Canada." It is true, that this railway has in past years received much public assistance and many valuable privileges and concessions. But let us not forget, that after all these good things had been showered upon the enterprise with lavish hands, a period came when Canadian Pacific stock did not look nearly as attractive as it does today, when, in fact, wages had to be paid by promissory notes and financial men had to rally around the enterprise to save it from going on the rocks. Then the settlement of the West commenced and the company gracefully sailed into smoother financial waters. And it was well for Canada that it did so.

There can be no reasonable doubt, that the proposed amalgamated national railway system will start business, in point of gross earning power, not very far in advance of where the Canadian Pacific was thirty or more years ago. It will labour under all kinds of handicaps, some of them subject to solution, whilst others will remain as a millstone

around its neck. An enormous capital cost has been piled up against these lines and fixed charges per mile will probably be soaring high above anything hitherto known in transportation in new countries. Very drastic additions have already been made in freight rates in sympathy with the higher wage awards, and it is very problematical whether the producers and consumers of Canada will tamely submit to further increases. The farmer of the West will realize, that every rate increase is simply a further tax of so many cents per bushel on his wheat necessitated by reckless public administration. Operating expenses of the National system must be fully covered either by higher rates or by taxation. The Government will certainly favour the former.

Here we are at once confronted with a difficulty. While the National system must have higher rates to pay even its bare operating and maintenance expenses, the Canadian Pacific is able to render precisely the same services at a much lower cost and still pay a satisfactory dividend to its shareholders, and therefore, does not require increased rates. But, obviously, rate increases cannot be made effective on the National system without also extending them to the Canadian Pacific, or everything would be routed over the latter and the National system would have no traffic. We, therefore, clearly perceive that the introduction of competition in railway transportation in Canada has actually had the direct effect of enormously increasing our freight rates.

When the final general rate increase took place in the latter part of 1918, the Government saw this problem. Rates had to be enormously advanced; or all the lines comprised, or to be comprised, in the National system, would go bankrupt. The Canadian Pacific, on the other hand, being able to carry on without any considerable advance in rates, a bargain was made whereby, in consideration of a twenty-five per cent. increase in freight rates being granted, the Canadian Pacific would submit to special taxation to enable the Government to collect, for the benefit of the public, a certain part of its surplus earnings. The Western farmer will, of course, carry the bulk of this burden. The compromise made, however, was the only possible way out.

8.

While we are now irrevocably committed to the great adventure of State ownership and operation of railways, on a magnificent scale it is clear that we embarked on the enterprise with both eyes wide open, which is all to the good. The step was taken in the face of a somewhat disastrous experience with the Intercolonial system, covering many years. Consequently, we laboured under no delusions whatever as to the obstacles in the way. Furthermore, we were presumably in full possession of the facts surrounding the operation of British and American railway systems by the State in those countries. "Forewarned is forearmed." In order to emphasize the enormity of the problem and the

vast issues involved, it may be useful to offer a few words of comment on the financial aspect of State operation of railways across the line and in Great Britain during the war years. The final outcome of our enterprise will depend largely on well-informed and tolerant public opinion.

The operation of United States railways was taken over by the State as a war measure, but it is an open secret that it was designed as the first step towards permanent Government ownership. The larger issue now hangs in the balance owing to the recent change in the political control of Congress. Unified operation naturally led to vast economies in the abolition of freight solicitation and publicity, the consolidation of ticket offices, routing of freight over shortest mileage, reduction in number of highly-paid executives, and in various other directions made possible by the creation of a State monopoly.

The report of the administration showing the comparison between the operations in February, 1919, and the corresponding month in 1918 is now available and is interesting reading. The situation in the latter year was complicated by extremely cold weather and heavy snowstorms, reducing operating efficiency, so that February, 1919, might be expected to show a very favourable comparison. Gross earnings increased 61 million dollars over 1918, a gain of 21 per cent. Operating expenses, however, increased 62½ million dollars, or 24 per cent. The United States Government took over the railways on an agreement to compensate the

shareholders on a basis of the average net earnings for the three pre-war years. February, 1919 falls short 37 million dollars of meeting this guarantee. January of the same year produced a deficit of 55 million dollars!

This unfavourable showing is not primarily due to inefficiency in operation, although competent authorities claim that State management is not sufficiently elastic in promptly reducing staff and other expenses in slack periods. The important factor, however, is increased labour cost. The Government has advanced wages by approximately one billion dollars per annum since taking control. The American railway worker has, since 1915, had his annual wages increased from an average of $800 to an average of $1,400. To offset this, passenger rates have been increased 50 per cent. and freight rates 25 per cent., which was estimated to produce sufficient revenue. This apparently it has failed to do so far. The United States was in the fortunate position, at the outbreak of war, of enjoying very low rates, and railway labour was fairly well paid. Otherwise the situation would have been impossible. The public simply would not have submitted to the increases imposed and apparently still to be imposed. It now seems that the United States cannot afford to turn the railways back to their owners and meet the tremendous liability created, nor does it appear feasible to take them over in the face of the necessity of imposing further unpopular rate increases to meet cost of operation and return on capital investment.

Turning to Great Britain, we find the situation frankly desperate. The disturbing factor there has, of course, been the impossibility of increasing the staggering pre-war freight rates without creating a condition where the entire traffic of the country would revert to the ancient highways and the railways be left idle and bankrupt. Railway capital in Great Britain has for some years been on a 4% earning basis and the lines were taken over by the Government on a guarantee of this earning. The annual gross earnings have been 680 million dollars, wages 250 millions, taxes 25 millions and materials 155 millions, leaving net earnings to shareholders 250 million dollars per annum.

The British railway worker had been on an average annual wage of $350. The Government was quickly confronted with a demand for increases which could not be compensated by transferring the burden to the public. Railway workers there have now received eight separate increases, bringing the average per man up to $900 and adding 400 million dollars to the annual operating cost. To this, increases in cost of materials have added another 140 million dollars. The annual pay-roll now is 650 millions. Including the 4% rental, it now costs the Government yearly 1,220 million dollars to operate the railways—an increase of 80% over pre-war days—and taking into account the 50% increase in passenger rates, the total gross revenue is only 780 million dollars. The estimated annual deficit is thus 440 million dollars! There is, of course, only one way out of this muddle, namely,

for the State to take over the railways and pass the burden on to the people by means of general taxation. It cannot be done by increasing freight rates. In Canada we have had three general freight rate increases; in 1916 about 5%, 15% in March, 1918, and 25% during the following August, making a total advance over the pre-war standard of slightly over fifty per cent. It is significant, that when the various freight rate advances were announced in Canada comparatively little public comment was caused. It was, of course, generally considered a regrettable, though unavoidable, incident and the situation was philosophically dismissed with a patient shrug of the shoulder and public attention was soon diverted to more interesting and impressive domestic affairs—such, for instance, as the latest baseball news and the state of the golf course. The attitude of the "man on the street" on these occasions demonstrated strikingly his extraordinary apathy towards the vital issues facing his country. Needless to say, these rate decisions were among the most momentous events in Canada's history. *They brought into effect the heaviest tax ever imposed on the people of this country.*

Transportation cost enters into every item of individual expenditure from a theatre ticket to a ton of coal, just as surely and effectively as an import tax. If our National railway system piles up heavy deficits, the country must meet them, wholly or partly, out of general taxation. We may, therefore, justly regard increased transportation

cost as a tax, and a somewhat vicious tax, which no one can evade. Whether it is levied by a Government or by a licensed corporation is quite immaterial in its effect. This is the point of view I desire profoundly to impress upon the mind of the reader. Now, study carefully the following statement:

Statement of Revenue for Fiscal Year 1916-17

THE GOVERNMENT OF CANADA:

Customs Revenue only	$134,043,842
Total Taxation	158,543,115
Average Customs Revenue for 5 pre-war Years	89,060,000

THE RAILWAYS OF CANADA:

Freight Receipts	$215,245,256
Passenger Receipts	61,290,291
Total Operating Receipts	310,771,479

The Government of Canada authorized a 50% increase of freight rates and approximately a 15% increase in passenger rates on all railways. The immediate effect of this ruling was, of course, that a consumption tax was automatically levied on the people of Canada amounting to about 118 million dollars per annum—exceeding by nearly thirty million dollars our normal annual import tax revenue and coming within forty million dollars of equalling the entire taxation revenue of Canada from all sources in the most prosperous year the country ever witnessed! Quite incidentally, the bare suggestion of reducing Canada's present protective tariff is met with the hysterical shriek: "Where is our revenue going to come from?" We are apparently unable to comprehend how we can

partly convert a consumption tax of a round hundred millions into a direct tax of the same dimensions without becoming bankrupt. But we see no obstacle whatever to levying over night an entirely new additional consumption tax of 118 millions! We "strain at a gnat and swallow a camel." The Canadian taxpayer is either a most inconsistent individual or, surely, we are rapidly losing our sense of proportion.

Canada's railway situation is, of course, largely controlled by that of the United States. Increases in wages on the railways there are almost automatically duplicated in Canada. In studying the record of State operation of railways in Great Britain and across the line, the fact stands out prominently and clearly, that the one item of wage cost has been chiefly responsible for the disastrous results up to date. There is unquestionably a well-defined limit to rate increases. In Great Britain, unfortunately, they had reached this limit long before the war and had, therefore, no margin of safety to fall back upon. The United States has now increased freight rates by 25% as compared with our increase of 50%. It seems evident that Canada must take this whole situation most seriously. What effect, for instance, would any further rate increases have on the production and development of the West, which necessarily bears the lion's share of the burden by reason of the long haul? Have we, in Canada, reached the uttermost limit we can pay for transportation and exist, just as they did in Great Britain years ago, and will our

present and future railway deficits here have to be covered by general taxation, as will assuredly have to be done in Great Britain? Will our agriculture and industries be strangled if further overburdened?

I am expressing no opinion upon the past demands of railway labour for wage increases. They may have been entirely warranted. But I do know, that they were not acceded to because they were warranted, but because they had to be granted to avoid internal warfare at a time when we were fighting overseas. That was quite apparent. As the wages bill is the controlling factor in railway rates, it is reasonably certain, that the railway worker cannot be permitted to be the sole judge of what his remuneration shall be, as he practically has been since the war began. The logical conclusion is, that the kind of railway management that can most successfully resist unreasonable demands by labour, will in the end be the most successful. Any other sort may speedily destroy our country. This apparently will be the fire test of State operation in Canada. Let there be no mistake about it, our railway problem completely overshadows all others in vital importance, including the questions of public debt, fiscal policy or any other national issue. And yet, comparatively few seem to worry over it particularly!

9.

It is clear, that our new national system of railways starts life under the severest handicaps in the

way of high capital charges per mile, coupled with unnecessary duplication of lines. However capable the management, these handicaps are there for all time to come. The obvious course to pursue is to inaugurate a well conceived and energetic colonization policy. Unfortunately, most of the vacant lands along the Canadian Northern and Grand Trunk Pacific in the West are owned by the Canadian Pacific Railway, the nation's only competitor in transportation. This company is naturally interested in attracting settlement to its own system and perhaps is not over-enthusiastic in assisting in the creation of traffic for the National lines and may, therefore, prove somewhat unsympathetic. But the tendency towards special taxation of unoccupied lands may constitute a convincing argument in the end and induce the company to fall in with any feasible plan to colonize the vast areas along the Government system that are not traffic producing at present.

The Canadian Northern location in the West is tributary to what is perhaps the best part of that country. In time it will be a gold mine in the way of traffic. The Grand Trunk Pacific is not, however, in the same fortunate position. It traverses much inferior country, but may be expected to yield fair traffic returns as development takes place. The Canadian Pacific taps the main wheat producing areas of Saskatchewan and Alberta and will probably always command the greater freight tonnage. The country served by the National system, being largely covered with poplar and, therefore,

inclined to produce a softer wheat, will be settled chiefly by smaller land-holders, who will specialize in dairying, live stock, etc. This class of settlement will in the end sustain a larger population than the southerly parts served by the Canadian Pacific. The outstanding problem of the National railways in the West is unquestionably rapid colonization, with a view to the creation of the largest possible volume of profitable traffic.

As to the Eastern section of the National system, it is obvious, that the "clay belt" lands along the National Transcontinental in Western Ontario present a special problem in colonization that might well engage special attention. This is essentially a proposition that lends itself most effectively to colony settlement on the part of a class of people willing to go into a country remote from civilization and to take up the task of clearing land. That class can be found neither in Great Britain nor in the United States. Efforts towards colonizing French-Canadians could profitably be made. They have always had a preference for wooded areas. The only possible hope, however, of settling that country systematically and expeditiously, lies in bringing colonists direct from Europe, through a special agency organization. Suitable inducements must also be offered to these settlers by the State, particularly an adjustment of freight rates to ensure a profitable market for pulpwood for the pioneer period. The Scandinavian countries, particularly Norway and Sweden, as well as Finland, should offer the best field for specialized effort in this direction.

The Dominion Government has now created a department to deal with the problem of colonization, which is presided over at present by one of the ablest members of the cabinet. No comprehensive policy has as yet been officially announced and cannot, therefore, be discussed here. This department will doubtless have the old sectional jealousies to combat. Every district will expect its fair share of settlers. But, it is reasonably safe to assume, that the people of Canada will demand concentrated effort to colonize its own railway system in preference to sending settlers elsewhere. Canada is now in the railway business, and every department of the Government should be called upon forthwith to co-operate actively.

10.

This is the "morning after." We are well over our railway "spree." We are just wakening up to the sickening realization, that we must now proceed to pay the price for incompetent administration and political debauchery. The wild spectacle of the past twenty years of railway construction seems like a dream; no attempt at co-ordination or system; branch lines, parallelling existing lines, freely chartered and guaranteed. The ambition of every western hamlet to have two or three systems competing for its trifling business has been gratified. No thought was given to the economic waste and the killing rates to which all this would ultimately lead.

Canada has, by passing enabling legislation and

extending Government guarantees, wilfully and deliberately, brought into being the existing state of affairs. We must now shoulder the burden with the best possible grace we can, and proceed to live with our mile of railway for every 205 inhabitants, while the republic to the south, many times more highly developed, worries along with a mile for every 254 inhabitants. We have failed to realize, that efficient transportation service and low rates are only the result of wise investment and good management. We elected the men who led us into all this, so it is only retributive justice, that we should be called upon to pay the price for our own folly.

Our transportation situation today is in a mess—a most unholy mess. The most important factor in the development of a new country has been bungled in every conceivable manner and the problem of the Government now is to "unscramble" the eggs. We have been pushed headlong into the ownership and operation of what is now one of the greatest transportation systems of the world.

The people of Canada are on trial. The whole principle of public administration is now about to be discredited or vindicated, as the case may be. Will the blighting and destroying shadow of party politics be cast over this enterprise? Or, shall we rise in our might and command our political leaders to continue to keep hands off? And shall we loyally submit to such burdens as the men entrusted with the unravelling of this tangled skein may deem it wise to impose upon us.

Everything will depend upon the attitude of the press and people throughout Canada, and it is devoutly to be hoped, that each individual newspaper will see its way clear to drop partisanship in this matter and fully acquaint itself with the true situation in order that our citizens may be properly instructed, and sympathetic support afforded the public-spirited men who have now assumed the responsibility of bringing order out of chaos while endeavouring to transform a wild conglomeration of railway lines into a reasonably well-balanced system. If they meet with even medium success, Canada will owe them a debt of gratitude she will never be able to repay. We have made many political blunders in this country since Confederation, but none to equal this. We cannot afford to make any more of this magnitude.

It is above everything to be hoped, that the people of Canada will take this plain and unmistakable lesson deeply to heart, and will not in the future be easily carried off their feet by "railway policies" cunningly contrived by unscrupulous politicians, without any regard to the real interest of the country, and solely designed to return to power party factions who, having no record as wise and capable administrators, must, forsooth, offer some spectacular and expensive innovation, thus bribing a silly and shallow electorate with its own good money. We should hang our heads in shame at having been such callow dupes!

11.

Most of us in Canada have by this time lost our party orientation. We may still have "leanings," but the present political hodge-podge leaves one confused. New parties and policies will arise out of the ashes of discarded principles and party shibboleths. What worries me most is, whether, in the course of time, some opportunist political leader will arise and persuade his following, that the cure for all Canada's transportation ills lies in the immediate absorption by the State of the Canadian Pacific system. Then, indeed, would our cup be full!

His arguments would be plausible and might carry conviction with the poorly-informed section of the community. A "loser" and a "winner," thoroughly mixed, would balance! The mixing process might,of course, be disastrous, but that is a detail. Alluring pictures would be painted of economies that could be effected through single control of all railways in Canada and a theoretical case might readily be built up which could be made to look attractive to the voter and might ultimately result in carrying a political party into power to make good such a programme.

Public pronouncements on this subject have recently been made by the Chairman of the Canadian Pacific, Lord Shaughnessy, as well as by Mr. Beatty, the President of that company. These have been couched in language of great moderation. No tendency whatever has been manifested of throw-

ing down the gage of battle. Both have, in effect, stated, that the case is one for watchful waiting and deep consideration. Intelligent public opinion cannot be formed on this subject until we see results from the great experiment Canada has now embarked upon in operating a railway system second only to that of the Canadian Pacific.

In a comprehensive and well-reasoned statement to the press, Mr. Beatty recently said:

. . . . The desire of everyone is that Canada should have to-day a railway system, or systems, so administered that the best service to the public will be obtained at the lowest rates consistent with fair wages, both for labour and capital. I say fair wages, because without them efficiency, loyalty and enterprise cannot be obtained, and without these things the quality of work which ensures efficient operation and low rates cannot be secured. The question therefore is: Will Government ownership bring about this result? The question sounds simple but is in reality complex. Theoretically much may be said in favour of Government ownership. Will those theories stand the test of practice. If these theories prove a failure initially, but correct themselves, in course of time, as their exponents may urge, how long a time can Canadian people afford to pay the losses on demoralized railroad service? Do they wish to launch out on the experiment now, or wait until their near neighbours, the United States, have worked out their experiment a little more satisfactorily? The cost of our own experiment could not fail to be great, a cost certain to be collected, directly or indirectly, from the pockets of the Canadian people. Railway men have an admirable slogan which I feel inclined to commend to the attention of the people of Canada at this moment, namely, "Stop, Look and Listen."

I have my own views on public ownership of railways, but they are not unalterable. I am undoubtedly prejudiced by an association with one company. That company has slowly developed to a point of efficiency and successful

operation. Looking back over that history one is amazed at the importance of the part played by men whose enterprise, resourcefulness and tenacity of purpose could not, I think, have been stimulated and given rein in any Civil Service. It has taken more than thirty odd years to make the C.P.R. as efficient as it is to-day. It was not easy. The consciousness that it is so easily shattered is largely responsible for the constant and intense ambition on the part of officers and men to maintain, and even improve on, the tradition.

This much may, it seems to me, be said with confidence now, namely, that we do not know enough that is encouraging about Government operation of large railway systems to justify any further excursions into that field at this time. To argue from the experience of old countries where civil service obtains a much better share of the ambitious young men than in Canada, or to argue from the alleged success of comparatively local affairs, or Government organizations dominated by exceptional personalities, is unfair—not to the railways, but to the country which has so much at stake in this issue. We can well afford to wait, to study dispassionately our own situation, and the experiment of the United States, before committing our country to serious changes in policy. The solution finally adopted in the United States will be of inestimable value to Canada. Meantime too, the experience which Canada will now have of the present newly organized Government system will demonstrate many things. It will indicate very largely the general nature of the results we may hope to secure from an extension of the system. . . .

I sometimes think it is a great pity, that the railways of this continent have given so little information to the public upon what has actually been achieved by them. It is a surprise to most people to be informed, that in no country on the globe are freight rates as low as they are in Canada and the United States. The low rate at which freight is carried here is one of the marvels of the world and

the admiration of railway operators in other countries. As has been shown, in Great Britain, railway rates are ruinous. It has been asserted, that prior to the war, a hundred pounds of merchandise could be carried from Victoria, on the Pacific coast, by rail to Montreal and from there across the Atlantic to Liverpool, cheaper than the same consignment could be shipped from Liverpool to the north of Scotland! Even the Government-operated railways on the continent of Europe charge much higher freight rates than we are accustomed to pay on this side of the Atlantic.

We cannot afford to be carried off our feet by cheap sentimentality or clap-trap. The principle of Government ownership and operation of railways looks attractive, but, as far as operation is concerned, it is just now being placed on its trial in Canada under fair conditions. Let us not forget what wonders private or corporate enterprise has performed for us in the way of cheap transportation, and, above all, let us not overlook the stimulating effect of two great railway systems competing for patronage in Canada. Each will keep the service of the other well tuned-up. Taking all the circumstances into consideration, it is my firm belief, that our present problem in transportation will most effectively be met by leaving the Canadian Pacific system severely alone and consolidating, under national ownership and management, all other lines in Canada. Let us suspend judgment on the larger issue until we have reasonably conclusive practical experience to guide

us. In the meanwhile, it behooves us to beware of the demagogue!

11.

When we come to analyze the present railway problems in Canada and to seek the causes that led the country into the unpardonable and almost hopeless position we now find ourselves in, it will be clear, that almost the chief responsibility lies at the doors of our Western provincial governments, who, purely for political purposes, and usually on the eve of general elections, undertook to guarantee the bonds of branch-line extensions so as to be able to go to the electorate on a "strong" railway policy. If such provincial guarantees had not been forthcoming, the Canadian Northern system, at least, could not have been financed. The Province of Manitoba had undertaken contingent liability in this respect to the extent of 25 million dollars, Saskatchewan 42 millions, Alberta 59 millions and British Columbia 81 million dollars! The Federal Government was then compelled to step in and take over the entire system, thus practically relieving the various provinces of a financial responsibility that might easily have brought them to the verge of bankruptcy.

Here lies another fatal weakness in our constitutional scheme—the principle of divided authority in the chartering of railways. We have seen, that in the end the responsibility must fall on the Federal Government. We have now, or are about to have, two great railway systems in Canada. Neither of them will require inducements to provide

adequate facilities anywhere in Canada. Each of them is perfectly able to finance extensions without guarantees. Such being the case, what justification exists for leaving in the hands of provincial authorities powers to charter new lines for political purposes, which might force the hands of the Government system or, at any rate, prove seriously embarrassing? The "National Railways" will not be unduly conservative in its policy of branch-line extensions and the Canadian Pacific has always been well abreast of the times. But Canada can no longer consent to have its railway policy disturbed by any handful of voters who chose to settle in localities remote from transportation facilities, and who have the means of terrorizing apprehensive provincial Governments. There is admittedly crying need for branch-line extensions into many well-settled parts of the Canadian West today, which should be satisfied. All others should be given short shrift.

In the United States, they are now endeavouring to get away from the absurd spectacle of dual control of railway matters, under which State legislatures have the power to impose all sorts of ridiculous restrictions on the operation of railways within the State boundaries. This has been a fruitful source of annoyance and loss and has been largely responsible for the low physical condition some of the roads found themselves in when the war broke out. We should follow suit in Canada and vest in the Federal authorities complete control and sole jurisdiction with respect to railways, and to their chartering and capitalization.

CHAPTER SEVEN

THE LABOURER AND HIS HIRE

1.

IN these days the subject of industrial relations is the favourite theme of conversation where men foregather. Limited or complete Government control of great industries and transportation during the war, and Government jurisdiction over wages and industrial earnings, which automatically followed, seem to have created a new precedent, which appeals irresistibly to the imagination of the worker. He now thinks he sees the end of "capitalism" and the dawn of a new era. There is consequently, much irresponsible talking, chiefly on the part of the professional labour agitator, who prefers that sort of occupation even to a six-hour day of honest work.

Ominous statements are made from time to time indicating serious unrest on the part of labour. Mr. Tom Moore, President of the Trades and Labour Congress of Canada, at a Canadian Club luncheon in Toronto, recently said, in part:—

". . . . I tell you, if you are content to wait until revolution has taken place, you will have the upheaval in Canada as they had it in Russia. . .

"I know the temper of labour, and I know that it is one that insists that it shall reap a fuller reward for its share in industry. I am not afraid of unrest,

I rather welcome unrest. But we want to see unrest of a practical nature, such as is diverted into channels of construction. We must construct unrest in such a way that it will bring the greatest amount of happiness. But unfortunately today, not all unrest is being diverted into channels of construction. . . .

"Happiness shall be the measure of efficiency for the future. . . .

"What steps can be taken to this end? The first need is to relieve the worker of some of his toil. It is the worker who should profit by the improvements of machinery and modern industry. . ."

Labour in Canada has seldom enjoyed outstanding leadership. The Gompers type has been conspicuous by its absence and no leader has apparently enjoyed the confidence of organized labour for more than a brief period. Mr. Moore seems, however, to be a broad-gauge individual and not afraid to speak his mind to his constituents. Trade unionism in Canada has been destructive more often than constructive. What substantial advantages labour has gained in the past, have not been won by constitutional means, but rather by the cruder method of industrial warfare. This is a sad commentary.

The life of the labour leader is not a happy one. He is made the target of torrents of abuse by the rank and file of his own class. He obviously cannot "lead" and also hold a regular job at union wages. But as soon as he becomes the salaried employee of the organization, he automatically

loses caste with his fellows. If he is one of the high officers of a central labour body, he is, in the discharge of his duties, called upon to meet prominent men in business and public life. It is becoming the fashion now to consult labour. However extreme he may have been in his views, he soon finds that employers are generally very approachable and quite decent fellows, earnestly anxious to assist in improving the lot of their employees. After a while the labour leader broadens out and becomes more tolerant. He is then apt to be accused of having betrayed the "cause" and sold out to capital. Labour has a lesson to learn. Leaders must be selected not out of admiration for the particular brand of fiery oratory they are able to deliver, but rather for their integrity and common sense. And they must be loyally supported and not made the targets of venomous attacks by jealous competitors for office. Labour must practise loyalty to its leaders, and team work.

2.

Now let us get down to a consideration of fundamentals. Our whole civilization is built on a basis of reward for services. This reward, usually paid in money, the individual utilizes to buy his meals, his bed, his clothes, etc. Certain men work very hard and spend very little and, in the course of years, accumulate a surplus. That is "capital." If put in a savings bank, this capital earns a reward for the owner. That is "interest." The bank in turn lends this "capital" to a manufacturer, who

uses it, in his business, and pays the bank a reward for the privilege out of the profitable utilization of such loan. This is what we call "capitalism." If, however, the bank lent this money to the Government, who utilized it in building or operating a shoe factory, the Government must still pay interest for the privilege and, therefore, exact a profit on each pair of shoes made. But then we should call it socialism! How can "capitalism" or the "profit system" be abolished without utterly destroying our civilization and reverting to barbarism? We are merely confounding terms.

We find then, that neither Governments, individuals nor corporations can get the use of capital without compensation. Also that capital must ordinarily be profitably employed to pay this compensation. You can call this profit on capital "dividend," or you can call it "interest." It comes to precisely the same thing. As long as we have currency or, in fact, any convenient medium of exchange, we shall have savings, *i.e.,* capital. We shall also have a lending and a borrowing class, as the world has had from time immemorial. We obviously cannot abolish the use of borrowed capital or the profit system, *i.e.,* capitalism, without also abolishing the official medium of exchange as well as all individual property rights. That at once clears the atmosphere.

The inquiry that now faces us within each industry is, (1) What is a fair reward for labour? (2) What is a fair reward for capital? I take it, that these points are entirely legitimate subjects

for investigation and discussion and contain in a nut-shell all the worker is really vitally interested in. His problem is not to invent some silly new social system, but to see that he gets his proper fair reward now. Capital must come down from its high horse. Liberty to capital is conceded; license is not. Inordinate profit persisted in will bring self-destruction in its train. Labour has its claims and the consumer will have something to say to the profiteer as well. The war may be over, but the "new spirit" remains. We must have a fair deal all round, and woe be unto him who blocks the way!

We are treated nowadays to a great deal of controversy regarding the essentials of religion versus the refinements of theology. The whole question of industrial relations is very much on a par with these discussions. We are confronted, on the one hand, with the reactionary element and, on the other, with a school of theorists, who cannot approach the question short of a complete social revolution, and with the bewhiskered Bolshevik who can only talk and think in terms of gore and destruction. There seems to be no common rallying point anywhere.

Are we to concede, that such very plain and clear-cut business propositions as are involved in determining the fair compensation and fair working hours for labour, the fair reward for administration and management, and the fair reward for the use of capital, cannot be solved without resorting to violence and industrial warfare? If they can,

how are they to be settled? The burning of factory buildings and slaughtering of employers, as in Russia, will not find any solution. Where, I ask, are labour's "Fourteen Points?" Agriculture has submitted her proposals. Is labour unable to settle down to an exhaustive consideration and recapitulation of her own problems and grievances?

3.

The war has brought to the surface many uncomfortable questions for our statesmen to ponder over. The most uncomfortable of all is doubtless, the whole problem of the relations of capital to labour. During the war it was treated with the same degree of aloofness that one displays towards a stinging nettle, or the little black animal with the white stripes down the back. The policy was to patch up industrial disagreements, with the result that the bodies of labour and industry now present a most unique appearance. They carry one patch after the other, some overlapping, and all colours and kinds of material were used in the mending process. And the tragedy of it all is, that we have no cloth on hand out of which to make a decent new suit, so that labour and industry may present a respectable appearance on the final declaration of peace. Decidedly, we have nothing to be proud of in Canada with respect to our attitude, past and present, on this subject. We have gone to sleep comfortably instead of thinking constructively and practising preparedness. In the meanwhile, Great Britain has been doing pioneer work along novel

lines from which, I sincerely trust, we may also derive benefits.

Our greatest need today is stability in industrial relations. How can this be even hoped for with local unions of every trade represented in every town between the Atlantic and the Pacific, each separate unit fighting its own local battles in its own clumsy, ruthless way? Labour under such conditions also becomes itinerant, naturally gravitating to the centres enjoying the highest union scale. Is there any necessity or justification for this preposterous continuous turmoil? Is there any valid reason to-day for variation in wage scale within most trades? The cost-of-living statistics clearly show, that there is little or no difference in living expenses anywhere in Canada now. If, however, there is any necessity at all for differentiation, it surely could be amply provided for by an Eastern and Western minimum scale based on official cost-of-living figures.

Employers throughout Canada would also be in a much better position under uniform and more stable wage conditions. Competition would be on a fairer basis and contracts could be entered into for longer periods with the assurance that irresponsible agitators could not precipitate strikes in advance of the termination of existing agreements. Labour would also feel, that Dominion-wide investigations and agreements dealing with wages and working conditions in each trade would be more likely to be based on justice and fairness to the worker, than the purely local victories that may be gained.

It is however, obvious, that a uniform wage scale could not blindly be imposed in connection with all trades. Underground mining earnings, for instance, being almost invariably on a contract basis, are essentially governed by local physical mining conditions. Cost-of-living also is not, by any means, the infallible test or the sole factor to be considered. Climatic conditions might seriously limit the number of possible working days in the year in any particular district. Seasonal occupations also might require special consideration. The new spirit will concede to labour the right to proper cognizance of enforced idle time and its effect on annual earnings. It is not the daily but the annual income that must in the end govern.

We cannot set back the hands of the clock at will. Labour unrest is not a product of to-day or yesterday—it has been with us in increasing volume for many years. Its present solution is going to be the job of a real statesman, far-seeing, wise and sympathetic. Whatever the final outcome, the verdict of the next generation will be, that the predatory, autocratic and altogether stupid employer, whether he falls within the capitalist class or not, must shoulder the blame, as well as the consequences, just as the blame for our present drastic prohibition measures falls justly on the shoulders of the rapacious, unprincipled class which made the barroom the sink of iniquity and immorality that finally destroyed it and all its works.

In the meanwhile, we have been blundering along in Canada without any attempt being made

to create machinery to set our industrial house in order. We have machinery to deal with industrial disputes, but none to prevent them! The situation is growing more desperate each day and the breach between labour and capital is widening. The Western Labour Federation in a recent convention frankly declared war on capital. The only official remedy so far offered is to increase our military establishment!

4.

The Industrial Reconstruction Council in Great Britain is a body having for its object propaganda with a view to awakening a national interest in the need for a complete system of industrial autonomy. This council strongly favours the "Whitley scheme," which has now been adopted by the British War Cabinet as part of its reconstruction policy.

The central idea in the Whitley scheme is absolutely and admittedly sound, which is more than can be said for Canada's present labour legislation, designed solely to cure the evil when prevention is what modern society demands.

The underlying principle of this plan is a realization that each industry is a unit with its own problems to solve. The scheme contemplates the organization of an "Industrial Council" within each industry, possibly embracing collateral industries as well. The idea is to bring together, for the solution of questions of mutual interest, all the factors in each trade, representing capital, management and labour.

There is not to be the slightest interference with the Trade Union organization. As a matter of fact, the hope is entertained, that the Trade Union should be, if anything, more of a factor than it has been in the past. Nor is it the intention, that there should be any interference with the individual management of industries. An industrial council would be composed of representatives of associations of employers and associations of working people and would thus become a Parliament, or representative body, for the discussion of all matters referred to it by employers, men, or management, and by any legislative enactment. No Council can be formed without the consent of both employers and employed.

It is contemplated that these bodies should give effective assistance to the Government in regard to the question of demobilization. With an industry completely organized in this manner, information can be given in regard to the number of men required at any time, and place, and to what extent employment will be available in the immediate future. Mr. Whitley himself summarizes the main objects of the plan in the following language:—

". . . . We want to destroy suspicion between employer and workers and put in its place a mutual confidence born of mutual understanding. We seek to regularize employment, impart industrial training, utilize inventions, prosecute industrial research, improve design and quality and promote legislation affecting workshop conditions.

"Hitherto the employers have had rather too

much to say in industry. Our organization is triple in character—in workshops, in districts and nationality. Thus we feel that we can come to grips with a problem in all its enormous detail—works, rules, distribution, working hours, peace prices, methods of wage payments, grievances, holidays, physical welfare, discipline, terms of engagement, training apprentices, technical libraries, suggestions for improvement in methods, investigations of the causes of reduced efficiency, collections for clubs and charities, entertainment and sport. . ."

The most important feature of the scheme is to furnish a body where labour problems can be deliberated upon and solved. It is not the intention, that the industrial councils should take the place of wages-boards, but it is expected, that the question of contract between employer and employee could be most effectively dealt with by a body of this sort in each separate trade and with some degree of certainty that the sacredness of contract would be respected by both parties. Each trade will require to solve its own problems in its own way. But if it can be done at all, it surely can best be done through organizations such as are contemplated under the Whitley scheme. There is scarcely any limit to the useful functions of such a series of organized bodies, completely representing the various factors in each industry.

The ultimate consumer will stand the present condition of rank anarchy only up to a certain point. All parties to the perpetual dispute will apparently be well advised to settle it before he

speaks. Strikes or lock-outs can only succeed if backed by public opinion. Public opinion will support no party in any dispute who refuses to submit his case to the decision of a competent and disinterested investigating and conciliating body.

We are very apt to reach the comfortable conclusion, that we are making sound, but gradual, social progress and that schemes of evolution cannot be disturbed or accelerated by drastic action, with impunity. History does not warrant any such conclusions. Centuries ago, the Incas in Peru and elsewhere lived under a very highly developed socialistic system, including communistic ownership of land. This was absolutely destroyed by the Spaniard, with his alleged superior civilization. He introduced in its place the Inquisition, slavery and degradation. The theory of evolution failed to work. So with industrial relations today. Let us not fall into the error of supposing, that far-reaching, drastic changes must be resisted. We may be face to face with a maximum wage for capital just as we are now confronted with a minimum wage for labour. I see no important difference in principle. At any rate, we had better get used to the idea.

It will perhaps look somewhat drastic even to suggest the idea of a maximum reward for the use of industrial capital. The principle involved however, cannot be successfully assailed. In order to ensure that even-handed justice shall be meted out to all, the modern State now absolutely controls railway capitalisation and rates. How long would

the country tolerate extravagant dividends on railway capital without demanding rate revision? There is apparently no particular reason why capital employed in any other enterprise should be regarded as more sacred and inviolate than railway capital and be given *carte blanche* to exploit its labour, or prey on the consumer.

The obstacle to any completely effective and fair control of general industrial earnings, lies, of course, in the practical difficulty of forecasting business results with comparative precision. The danger of losses in operation from entirely unforeseen causes is always present. To meet this risk, capital very properly demands compensation or insurance. Actual dividend payments can be controlled however, without inflicting any undue hardships or hampering industry in any way. This we do now partly by means of taxation, which, when everything is said, will perhaps be found to be the fairest and most effective method of curbing profiteering.

5.

But apart entirely from any future State restrictions upon returns on industrial capital, the present tendency is very distinctly towards the elimination of spectacular profits. Labour is becoming increasingly insistent upon the most favourable terms for itself and concessions will doubtless be forced in each industry until capital, with all the cards laid on the table, is able to convince the worker that the absolute limit of safety has been

reached. In the end, outside competition will, of course, absolutely determine the limit of reward to capital as well as to labour. Industrial capital may thus ultimately be confronted with the choice of destructive warfare or the surrender of autocratic control, and the inauguration of new and improved relations with the workers. This prospect ought not to be so terrifying. Community of interest in the end should keep the balance true and it may well be, that the handling of intelligent labour, impressed with its responsibilities, would entail less anxiety on employers than under present conditions. There might even be an efficiency gain, constituting, or even exceeding, the utmost limit of "team work" contemplated under the Whitley scheme.

But, while the proposal to admit labour representation to participate in the actual business management of industry is theoretically sound, it is open to certain very material objections. Labour has apparently no definite policy on the subject beyond the hackneyed assertion, that the worker, being equally as important as capital in our industrial scheme, is, therefore, entitled to equal participation in the dictation of business policy. This is a false conclusion based on very defective reasoning.

The lack of understanding and indecision shown by organised labour in its relations with capital are almost pathetic. There are leaders of every shade of opinion on the subject, ranging all the way from ultra Conservatives to those who preach Bol-

shevik doctrine and even go beyond. The mind of the rank and file is confounded with high sounding, but meaningless, phrases, such as the "democratisation of industry" and the "abolition of capitalism." These, of course, lend themselves readily to oratorical flights. What does it all mean? Do we want to go even farther than the Russian lunatics who, by the way, have not even commenced to abolish capitalism? They have stolen the savings of millions of, more or less, deserving people and have appropriated the same for the benefit of the State. They have also filched the savings of still more deserving people in other countries by repudiating their external debt and seizing property representing foreign investment. Meanwhile they are printing spurious "money" by the billion. Why? Because the State can no longer borrow. No one will trust it. So it manufactures its own money. That is, it issues formal "promises to pay" and that, of course, is capitalism. The time will come when a workman, earning perhaps a thousand roubles per month, will not be able to buy his three meals a day with it, just because his money is worthless. There is neither value nor security behind it.

We have in Canada an external capital liability of at least five billion dollars, the particulars of which are given elsewhere. We also have an additional internal investment of some thirteen billions. All this money is employed in our railways, industries, mines, farms, etc. We do not owe this vast amount to either Rockefeller or to Morgan. It

chiefly represents the accumulated savings, through weary years, of millions of hard working, frugal people, in Canada and in foreign countries, some now living and some dead. A multitude of orphans, widows, aged, infirm and humble people the world over, depend upon the returns from this investment for their daily bread. Insurance funds, trust funds—savings of all sorts—make up the bulk of this huge investment. An inconsiderable part of it is, of course, owned by "bloated" capitalists, but we cannot discriminate, except through the channel of income taxation, which we are already doing. Is anyone sufficiently crazy or unmoral to suggest seriously that Canada should formally steal this money by confiscating property and abolishing all right of private possession? That is just what they did in Russia. What labour really means when it talks about capitalism is, I am sure, merely a policy of acquiring public ownership of industry, which, of course, is an entirely different thing. The Government under such a system, simply compensates the owners for the capital value of existing private enterprise and assumes its liabilities.

But whether the Government secures ownership of industry by borrowing the capital necessary or issuing securities therefor, or whether private enterprise remains in control, the use of capital still entails absolutely competent responsibility for its safe and profitable employment. It must yield interest or dividend, whatever we prefer to call it and whoever may be its director. This principle must ever guide in determining business policy.

Much working capital is also temporarily borrowed in nearly every industrial enterprise. The bank lends largely on the known record of executives to conduct business along safe and sound lines, and as a further safeguard against reckless business policies, personal guarantees must be given by every individual member of a directorate when bank advances are made.

Active and real participation by labour in industrial business management and policy construction, is not, therefore as simple a proposition as appears on the surface. Financial responsibility being absent, purely complimentary labour representation on a Board of Directors or Executive could not hope, or expect, to do more than advise those who must bear the entire risk of failure, involving perhaps, not only the total loss of the fruits of years of inremitting toil, saving and sacrifice invested in the enterprise, but also the loss of prestige and the possibility of being called upon personally to liquidate guaranteed liabilities. Until labour assumes financial responsibility, as an investor, or contributor guaranteed in some way, it obviously cannot share in the dictation of business policy. Incidentally, one of the chief obstacles to successful Government operation of industry, is precisely this very absence of financial responsibility on the part of a paid management, with nothing to lose in case of failure beyond a job. The position of the labourer director or executive would be identically the same.

Labour's relationship to industrial management

is not, however, the only question to be considered. It is generally admitted, that capital has been selfish and predatory in its attitude towards the worker. But labour presently organised and became reasonably successful in obtaining redress of its grievances. The consumer, on the other hand, has been absolutely helpless. He also feels, that he has been exploited. To be quite frank, it is doubtful whether existing industrial relationship is nearly as important an issue, from the point of view of the welfare of the general public, as the joint attitude of capital and labour towards the patient consumer. Cause and effect now follow each other with startling rapidity as never before in the history of the world, and the consumer is becoming more alive to his interests as affected by industrial disputes, wholesomely educated and vitally interested. Strikes, resulting in higher pay for transportation workers, for instance, forthwith give birth to correspondingly increased rates on railways and street car systems. Increased wages for miners are followed by increased coal prices. The load is instantly transferred to the public, which was probably not represented in the settlement of the dispute at all.

Past experience and past record give the consumer no assurance whatever, that labour controlling industry would be less unscrupulous and less predatory than capital has been. Many fear, and with good grounds, that it would be even more so. At any rate, if the State ultimately has to step in, industrial relations cannot safely be adjusted to the

advantage of labour alone. The consumer has vital interests at stake that completely overshadow even those of capital and labour combined. The problem is decidedly a three-cornered one. On the whole, there can be no reasonable doubt, that whatever would be the fate of the consumer, labour will probably always get a better deal under private or corporate control of industry than under State operation, where the consumer would represent the paramount interest and exercise influence accordingly. Wise labour leaders, both in the United States and Canada, are beginning to fear industrial State aggression. They realise, that while labour and capital in collusion may successfully exploit the consumer, to their own advantage, the moment the State steps in, the day of "easy money" may be over. They do not wish deliberately to invite the consumer's representative to become a factor in the dispute. They are not blind to the menace that lurks behind the notion, that selling-prices are just as readily regulated as rewards to labour and to capital. The State will not tolerate the principle, that the consumer shall pay all "the traffic will bear." Labour would apparently be well advised in adjusting its differences with capital amicably and speedily. It has nothing to gain by State interference or socialistic organisation.

6.

Many of those who loudly deplore the present condition of labour, and sympathetically refer to the worker as a "wage slave," are equally emphatic in their denunciation of the "profit system." The

inference is, I presume, that industry should not be carried on for profit or gain. Does that vague and peculiar creed mean that no interest is to be paid on capital invested in industry? Or does it mean that labour, having control, may freely take any profits it chooses by way of extravagant wages? Or is the State to conscript labour to manufacture at cost for the benefit of the consumer, paying for such services in food, lodging, clothes and medical attendance? Or does all this sensational vapouring merely indicate, that we are, at present, economically out of balance and, that the reward paid to capital, the wages paid to labour and the price paid by the consumer should be readjusted? There is, apparently only one way to abolish the "profit system" and that is to abolish individual property rights, and our monetary system and then to put everyone to work for the State, which would pay for his keep. This is advanced socialism.

Let us try to visualise the modern Utopia functioning on such a plan. Imagine, that the following simple story is from the "Official Eye Witness." We may, one of these days, read its exact counterpart in the Russian newspapers. . . . Individual ownership of property had been abolished, which necessarily also involved the abolition of wages. We proudly ceased to be Wages Slaves. Under the new dispensation we were all working for a meal ticket. If, by the way, we lost it, we simply had to file an application in triplicate for a new one and cheerfully starve until we received it. Of course, we could not borrow. We were entitled to one pair of trousers annually, (regulation pat-

tern), and if we wore the knees out prematurely, we were sternly commanded to parade before a Board of Inquiry to show cause why we should not be incarcerated for the reckless use of Government property. Our trousers were indubitably public property. Of course, no one ever surreptitiously appropriated our borrowed belongings, because all men had become simple, honest and industrious by Act of Parliament.

The pre-digested, standard meal, compounded by Government, was a veritable poem. Back in the dark, unenlightened pre-socialistic days, when every individual minded his own business with a minimum of State assistance, opinions used to differ as to what we should eat and what we should drink—particularly as to the latter. But a new era happily dawned. The dyspeptic now devoured with impunity his ration of the Standard bully beef stew, regardless of consequences, resting secure in the potency of the famous Act of Parliament standardising the human stomach. The Hebrew recklessly consumed his ham and the Roman Catholic his Friday roast beef, religion and the Creator having been abolished for failure to conform to the official standard pattern. The socialistic State obviously could not consistently recognise any Superior Being. The use of tobacco, Government Brand, became compulsory, with occasional disastrous consequences. The socialised State ever meted out impartial justice!

Our educational system at first proved a troublesome issue. Later it was absolutely standardised.

It goes without saying, that the State could not tolerate special privileges or opportunities being accorded anyone, such a policy would inevitably have led to undemocratic intellectual inequality. To entirely overcome the danger of this, a simple Act of Parliament was quietly slipped through making the stupid wise over night, and reducing those endowed with exceptional wisdom and intelligence to the official intellectual standard. Competition and ambition were necessarily completely abolished. No worthy patriotic citizen would even wish to rise above the dead level. Besides, why worry? Were we not all working for the irreducible minimum of three meals per day and a standard Government bed with the loan of the necessary clothing? We were all kings!

Candidly, we nearly came to blows on the question of occupations. This problem we soon found contained the crux of the whole situation. In the socialistic State—founded on the theory of absolutely equality—self-determination or individual choice of occupation could not, of course, for a moment be countenanced. Neither could the merit system. Promotion became obsolete and also, of course, discipline. The State officially declared all occupations equally important and honourable and desirable. We however, experienced some difficulty in persuading the men in the stoke-hole, that they were just as pleasantly situated as the captain of the ship, but eventually they recognised the truth and smothered their unworthy ambition. Everyone worked his silly head off solely from a

sense of public duty. At first, some men actually preferred a medical career to that of an undertaker, while aspiring and hopeful embryo bank-managers foolishly expressed disappointment at being assigned to honourable janitorships. But the nation's work had to be done. Some quite unique innovations were incorporated in the new occupational scheme. The streets, of course, had to be swept, rags picked and old bottles collected. These, being light jobs, suitable for the aged, ultimately furnished an excellent and congenial retiring opportunity for cabinet ministers, college professors and railway and bank presidents. The white overalls and the push cart became an outward and visible sign of nobility—a reward gracefully conferred upon distinguished citizens at the close of a more strenuous career in the public service.

But dark days eventually overtook this ideal democracy. The people began to mutter. It was being dimly realised, that the modern overseer was just a stupid, arrogant official. He became an object of intense hatred. We even lamented the exit of the defunct capitalist employer of the old regime. Instead of being "wage slaves" we had merely become slaves without wages! Finally, an inspired reformer wrote a new and up-to-date version of "Uncle Tom's Cabin"—and Utopia was triumphantly emancipated.

7.

A plea for a broad spirit of toleration is in order. The employer falls mentally into the error of asso-

ciating the employee with the proverbial highwayman with the motto: "Stand and deliver." Labour, on the other hand, is apt to picture the employer with horns on and cloven feet; as an unfeeling slave driver, rolling in luxury, whose sole object in life is to amass wealth at the expense of his "wage slaves," as the demagogue is fond of calling the employee. One has only to enter a motion picture theatre, almost at random, to find this conception of the case vividly thrown on the screen in a lurid melodrama and with all the harrowing detail. This view is evidently popular among the masses. Incidentally, if the motion picture censors would give less attention to the accidental display of a bare leg or a wine bottle, and more to this pernicious propaganda to poison further the relations between employer and employee, they might perform valuable public services.

The Great War has had the effect of putting the socialist to the fire test and, incidentally, has brought home to many workers some very unpleasant truths in regard to this much advertized, but little understood, system. No one can tell just what the socialist platform is. It is "all things to all men." Stripped of all camouflage, we might call it "humanitarianism." It is the creed, that everyone is entitled to work. That the remuneration shall be fair and the hours shall be reasonably limited. It is the same creed as that taught by Our Saviour and subscribed to by every decent civilized man since the world has enjoyed civilization.

The great majority of employers in Canada have

been on both sides of the question. The private life of the employer is of course, generally surrounded with more comforts than that of the employee. This gives rise to envy and jealousy. It is, however, a rash assumption, to maintain that he gets more out of life than those of his employees who receive sufficient wages to dress, eat and sleep under decent conditions, and few of them do not. The employer generally works longer hours, sleeps fewer hours and eats less. The burden of responsibility rests on his shoulders. Few industrial concerns escape being confronted with grave crises from time to time, which drain the very life blood of those who have to face and solve them. The average small industry in Canada, which is the backbone of our industrial life, gives little more than a living for those engaged in it. The spectacular earnings are made in the large, merged industries, that are able to eliminate competition and control markets. The path of industrial progress in Canada is literally strewn with failures, and the man who ultimately brings an industry into the safe haven of success has probably given the country more than he himself ever received.

Years ago, I dreamed dreams, as an unsophisticated young man should. I saw myself as a captain of industry—a sort of benevolent Ironmaster. That was immediately after I had been forced to acquire, through a chain of circumstances, a controlling interest in two western manufacturing concerns. I devoted myself, heart and soul to my task, but could not spare time to take the actual manage-

ment into my own hands. For long periods the directors literally sweated blood over the problems that confronted them, and, incidentally, I devoted much capital, that I could ill spare from other interests, to the development of these industries. To-day my actual cash investment, over a period of fourteen years, is no trifling amount. It has, however, been most illuminating experience, which I do not in the least regret.

I have just received the last annual statement of the larger of these industries. We manufactured $116,000 worth of goods. Our labour outlay was a little over $58,000, raw materials $37,000, overhead $18,000 and estimated profits $3,000. None of the shareholders, I should add, ever received a dollar's worth of dividend or salary or any benefit whatsoever from this investment. We have, on the contrary, voluntarily cancelled over fifty thousand dollars of common stock and bonds paid for in full, to take up losses on operation. I have spent many sleepless nights over it all. Our plant is modern and in excellent condition. We have never had labour trouble, because every just grievance has always been corrected. Most of the employees are highly skilled men and have been with us for years, and are my very good personal friends. We have, at least, three different unions to deal with. Two of our employees act on our Board of Directors and on the Executive Committee. Our management has varied, but is now faultless and the industry is one needed in its community. But whenever we get to the point where a reasonable

profit is in sight, we are invariably face to face with an increased cost for labour! We have now, I believe, at last turned the corner. But it has taken many weary years. This is the literal truth. I often ask myself, pointedly: "Where do I come in?"

I do not wish, in submitting this little human document, to attempt to mislead. Such an experience as mine is not, of course, universal, but it is by no means uncommon. The development of a successful industry is frequently a slow and heart-breaking process. The chief owner of the smaller industry when he personally undertakes the management, which he generally does, gets little more return for the use of his capital, experience and services, than a very moderate income. Labour is very apt to base all arguments on the earnings of the spectacular, monopolistic industries. That is no criterion at all. The backbone of our industrial structure is the smaller industries of the country.

8.

The uppermost idea when one talks to labour leaders is that labour must get its "share." What proportion this "share" shall bear to the whole, is impatiently waved aside. It is a mere detail. There is also no evident appreciation of the fact, that this somewhat intangible quantity is subject to very distinct limitations. It cannot be denied that a certain point is easily reached, when the break occurs where both labour and capital lose. This reasoning applies, of course, principally to com-

petitive industry. Public service corporations, including railways, and non-competitive industries, can generally pass higher operating costs on to the public. In such cases, there is no limit to the wages that can be paid to workers as long as the public is willing to bear added burdens in higher rates or prices.

Discussing labour conditions with employers, one finds a fairly unanimous sentiment against labour interference with discipline and shop-organization. As regards the wages question, those who are engaged in competitive industry are naturally alarmed. Those who are not, are peeved, but complaisant. They are quite ready to transfer the load to the public. They can stand it as long as the public can. They appear to have lost the sense of responsibility.

And the public—the "man on the street," the farmer—he is bewildered. He is painfully conscious of the fact, that the value of his dollar is shrinking faster than the number of his dollars is increasing. He is very busy himself "passing the buck" as far as he can, but he cannot pass it as fast as organized labour can. He is frequently several laps behind in this popular pastime. It seems to be a case of the endless chain. Wages are advanced in one industry, and until the general readjustment has been completed, the wage-earners in such industry reap an advantage, purely temporary, however.

As a mere matter of commercial self-interest, labour must study business carefully. The question

of satisfactorily adjusting wages, hours, and general conditions of employment is not always within the power of the employer. It will be conceded that labour is entitled to know something about the earnings of the employer. It will not, however, be taken for granted that inordinate earnings would be a justification for inordinate wages being paid. The public—the consumer—has an interest as well, which cannot be disregarded. Soon after Mr. Gompers' famous ultimatum to employers south of the line, one of their great weeklies, "The Saturday Evening Post," in commenting on his attitude, summed the matter up very fairly and completely as follows:—

It was not necessary for Mr. Gompers to serve notice, that union labour will oppose any attempt to reduce wages. That is a matter of course. But the union-wage scale tells only half the story as to the condition of labour. The other half is told by the degree of employment or unemployment. A high union-wage scale does no good if labour is not at work.

Labour is the largest item in the cost of goods. The American wage scale is much higher than any in Europe. If American labour is to be fully employed, or even relatively so, American goods must find a market abroad in competition with European goods. Nobody but a hopeless blockhead wants lower wages for their own sake. Nobody wants unemployment. The practical question is: How can we pay decidedly more for labour and still sell goods in free, competitive markets? For unless we do sell goods in such markets we shall finally have idle labour.

There is only one possible answer: Our labour must be more efficient than the labour with which its products compete.

It can be more efficient through its own superior skill and diligence, through using better tools—that is, better

machinery—through superior, industrial organization and leadership.

Every obstacle to the most effective organization and leadership sets the pointer to lower wages. Every handicap on invention, on ability, on improvement throughout the process of production and distribution menaces the wage scale. Every burden upon production through avoidable capital-and-labour rows is inimical to it. I.W.W., with its sabotage and general hostility to production, spells peril for it. Labour that proposes not only to get the highest possible wage, but to give the smallest possible return in productive effort is a drag on the wage scale.

Nobody's sentiments are going to cut any particular figure in the answer. We can pay decidedly more for a day's work than Europe pays and still sell the product of our day's work as cheap as Europe can—or cheaper. But the only possible way of doing it is, to produce more or better goods in a day. We cannot pay decidedly more for labour than our competitors pay, unless our labour on the whole is decidedly more efficient. Every handicap to the most efficient application of American labour lessens its chance of maintaining this wage scale with full employment.

The logic of the foregoing is irrefutable.

9.

In considering the question of a fair division of profits upon industry as between capital and labour, the investigator finds himself confronted with a great deal of shallow thinking. Unfortunately, there are vast difficulties in the way of obtaining reliable statistics on this subject.

The Dominion Census Bureau has, however, compiled some illuminating figures bearing on Canada's industrial production, which are quoted elsewhere. These figures do not pretend to be absolutely complete and correct, but they cover 35,000 industries, which is quite sufficiently ex-

tensive for all practical purposes. In a bulletin recently issued, further detail is given, which, with judicious estimating, is almost sufficiently complete to enable one to construct Profit and Loss Statement covering the operation of Canadian industries for the year 1917, which apparently cannot be very far wrong.

The total output is given as $3,015,506,869. The average wage of the worker was apparently $738 and the net profit of industry $592 on each wage-earner's effort during the year. The following items enter into the cost of production:

Sales		$3,015,506,869
Salaries	$95,983,506	
Wages	457,245,456	
Materials	1,602,820,631	
General Overhead	239,373,046	
Depreciation Reserve	150,000,000	
Bad Debt Reserve	30,000,000	
Fuel	73,087,840	
Estimated Profit	366,996,390	
	$3,015,506,869	$3,015,506,869

Deducting the cost of production, $2,648,510,-479, from the value of the total output gives us $366,996,390 as the estimated net profit, which represents about 13¼ per cent. profit on the total investment of 2,773 million dollars. But it is safe to estimate, that at least one-third of the total investment represents bond and other preferred capital on an average interest basis that would not exceed 6 per cent. We must also make due allowance for the fact, that the remaining two-thirds of

the alleged capital is unquestionably inflated. To what extent it would be difficult to estimate, but, I think, we could safely reduce the total invested common stock capital, from two-thirds of the total to not more than one-half. This would give us, roughly, one billion of capital, earning a fixed rate of interest of 6 per cent., or 60 million dollars. Deducting this from the total earnings gives us approximately 300 millions to apply as earnings on the actual common stock investment of about 1,500 millions, which would be a 20 per cent. basis.

A return of 13¼ per cent. cannot be considered extravagant on industrial investment in view of the risks involved and also taking into consideration the fact, that 1917 was a war year with somewhat greater returns on capital than under normal conditions. The gist of the matter probably is, that the average small competitive industry in Canada made during 1917 a very fair return on capital. The larger, highly protected and monopolistic enterprises, in all likelihood made the spectacular earnings. It is also fair to assume that a ten year average, under normal conditions, would almost certainly show a basis of net earnings well below that of 1917.

So we finally arrive at the conclusion, that, speaking generally, there is not very much to spare from the present estimated normal net earnings on industrial capital in Canada to permit of any important general increase in wages. Nor can the worker apparently look to any considerable extent to schemes of profit-sharing to increase his earnings

materially. From whatever angle we regard the matter, we find ourselves confronted with the uncomfortable situation, that, if higher wages are to be paid to Canadian industrial workers, it is quite evident that no considerable part of the burden can be assumed by capital. The bulk of the load must be transferred to the ultimate consumer, by means of higher prices for industrial products, resulting in a still higher cost of living all round: this will, of course, further curtail the purchasing power of the worker's dollar. The load however must be so transferred, if such transfer is possible. Other countries may produce more cheaply and undersell Canadian industries in the domestic market. Then there will be pressure brought to bear for increased protective duties, or—our industries will become bankrupt and the worker lose his job. There seems no other alternative.

I quite anticipate it will be asserted, that a net earning of $592 on the efforts of a worker paid only $738 for his year's work is an extravagant reward for capital. In fact, I have seen such an argument advanced on quite another set of figures, which, by the way, were erroneous. This would not be good reasoning although at first sight plausible. The cure for low wages is the more extensive use of power, thus increasing production per worker. The greater the amount of power used in industry, obviously the greater the capital investment and the greater must be the net return to capital for each worker employed. It will thus be clear, that there is no significance to be attached to a bald

comparison of this nature. As throwing a sidelight on the subject, I may mention that the volume of power used in Canadian industry for each worker is 56% greater than that used in British industry. Also that the British worker produced a net output of $510 per head per annum, while the Canadian worker, according to our last Census Statistics, produced the enormous volume of close to $4,900 per head per annum. Here also we cannot draw exact comparisons. Much depends upon the nature of the industries and the amount of hand work and skilled labour required to complete the finished product.

I am not trying to make a case for capitalism or to construct an apology for our present system of industrial management. My object merely is to endeavour to place the situation judicially and impartially before the worker and before capital. There is no useful object served in shutting one's eyes to obvious facts. We are unquestionably confronted with a crisis in our industrial relations. It is perhaps largely fostered by an erroneous conception of the actual situation, for there was never a time in the history of our country when clear thinking and plain speaking were such a necessity as they are today. Without them, we merely rotate uselessly, often perfunctorily and viciously, garbling real issues, killing time and misapplying effort, without even approaching fundamental questions crying aloud for fair and just settlement. The best service anyone can render Canada today is to try to contribute something towards clearing the

industrial atmosphere of mental fog and misconception.

10.

The minimum wage agitation is worthy of deep consideration. It is nothing new. In the Fifteenth Century, magistrates in England, under Act of Parliament, fixed standard wages for agricultural labour. Certainly, the right of labour to a decent minimum wage cannot be challenged. If an industry is unable to pay a fair wage, based on cost of living, it had better perish. It is, of course, absolutely futile to accept cases like the Ford Company as a fair comparison. While this concern is able to pay a minimum wage of $6.00 per day to its employees, it is to be noted carefully, that, at the same time, it can distribute 200% profits to its shareholders! There are few other industries in Canada in such a favourable position, perhaps none. It is quite in a class by itself.

Whatever may be the attitude of the State towards the principle of a living minimum wage for labour generally, however, there is one aspect of the case that cannot safely be ignored in a civilized country, namely, the moral duty that rests on the community to ensure that a decent minimum is fixed at least in the case of female labour. That becomes a social question primarily. Much progress has been made in this direction by large industrial concerns in the United States. One of them, employing an enormous number of women, has recently decided upon a minimum of $16.50

per week. Conditions in our larger Canadian cities in this respect are shocking. The Federal Government until recently employed girls in Ottawa at salaries below $10 a week!

Before the Great War, labour conditions amongst the nations of the world varied considerably. In some countries, like Japan for instance, there was practically no leisure for the labouring man. Whole families worked on industrial production from 15 to 16 hours a day at starvation wages. Even in Europe, sweated labour was the order of the day in many industries. One result of these unequal conditions was the imposition of protective tariffs as between nations. It was regarded as a reasonable proposition, that the products of white labour in Canada should not be expected to meet the products of Japan, China or even the European nations on an even basis. One effect of a protective system, would naturally be, that the home consumer pays an advanced price for the home-produced article, so as to permit of fair wages being paid to labour. The world is now in the melting-pot in regard to international labour relations, for the time has come when conditions must be equalized so as to eliminate unfair competition. It would almost seem as if the most important service that can be rendered labour in the reconstruction of the industrial world, would be international conventions dealing broadly with labour conditions and remuneration. An international labour congress is now at work in Paris on this problem and there seems ample scope for its efforts.

11.

It is possible that the hours of labour are too long in many occupations. The plan of introducing a six-hour day is now being tried. A large commercial concern in Toronto is also going to experiment on a five-day week, which seems sound for a commercial business, if generally enforced. There is room for much constructive work and earnest investigation here. We rail at the miner for not working his full six days a week. But how many of us understand, that working thousands of feet underground with artificial light, under trying atmospheric conditions and surrounded by the dangers prevailing in many mines, tries the nerves of these men sorely, almost beyond human endurance. Steady work day after day becomes impossible.

I cannot, however, agree, that 44 hours work per week is beyond what might reasonably be expected from the average human being, in most occupations. Some occupations, I grant, take more out of the human frame than others and should receive special consideration. But a general standard is dangerous. We are bound to increase production in Canada today, to pay our war liabilities, and it surely cannot be done by further shortening the hours of labour. There is a school of benevolent theorists which maintains, that shorter hours means greater efficiency. To a certain extent that is true. A man can possibly do as much in ten hours as he would do in twelve, but there is a limit somewhere. No sane person would expect the same result in

production from four hours' work as from twelve. The old rule of eight hours' work, eight hours' play and eight hours' sleep is perhaps the happy medium.

Our population is growing slowly and laboriously. We have, as a rule, no unemployment problem, except perhaps during brief seasons. On the other hand, we have an almost perpetual labour scarcity. We cannot, therefore, shorten hours radically without decreasing production, which, with our present national liability, would be almost fatal. During short periods of extensive unemployment such might safely be done, but as an industrial policy it would be suicidal. In the seasonal occupations, such as the building trades, the workers have long enforced holidays during the winter. To shorten their hours further during the limited season in Canada is not sound.

There is another very important feature to be considered. In this age of strenuous industrial competition, when overhead expenses must be distributed over the largest possible output, it is evident, that capital investment in machinery, plant and equipment cannot be permitted to lie idle for eighteen hours out of the twenty-four, simply in order that labour may enjoy a six-hour day. The ability of industry to pay fair wages depends solely on output. If labour finally wins the six-hour day, it will be found that it will involve a double shift in most industries, the first shift working uninterruptedly from 7 a.m. to 1 p.m. and the second shift taking on the work at the latter hour

until 7 p.m. A single management could handle an industry organized on such a basis, but until we have a sufficient number of skilled men available to provide a double shift for most Canadian industries it is obviously premature to discuss seriously the six-hour day. On the basis indicated, most industries could possibly run very economically and efficiently and with a minimum of overhead expense in proportion to output, and thus pay an increased wage per hour.

12.

I do not wish to write platitudes. But I find it hard to refrain from having a tilt at the venerable fake notion, which seems to pervade all classes, that labour is a necessary evil, an unpleasant duty, and happy is he who neither works nor spins. Listen to this: ". . . Labour is at once a burden, a chastisement, an honour and a pleasure. . . . What were man, what were life, what were civilization, without labour? All that is great in man comes of labour—greatness in art, in literature, in science. Knowledge—'The wing wherewith we fly to heaven'—is only acquired through labour. Genius is but a capability of labouring intensely: it is the power of making great and sustained efforts. Labour may be a chastisement, but it is indeed a glorious one. It is worship, duty, praise, and immortality—for those who labour with the highest aims and for the purest purposes. . . ."

I worked hard all my life long, until, after a

severe illness, I decided to retire from active effort, which I did for nearly two years. This period proved the most drab, uninteresting and altogether undesirable in my career. I had plenty of resources within myself. I was fond of reading, gardening, etc., and my days were fully occupied. But I could never get away from the idea that I was on the shelf—that my work was done. The absence of serious responsibility and of the wholesome influence of the regularity and self-discipline incidental to active business, reduced my life to the level of that of a mere animal. I would not repeat the experience under any consideration, so long as I am able to do a day's work.

A good friend of mine once said, in a discussion on what constituted happiness and satisfaction in life, that his conception of that illusive state was "a congenial and useful job well done." I feel, that this represents the absolute truth. It does not matter a bit whether the particular job is the making of a pair of boots, writing a book, or winning an important case before the highest court in the land. The principle is precisely the same. Most of this talk about shorter hours and more holidays is founded on absolutely wrong premises. The inference is, that any sort of useful occupation is a necessary evil and that happiness only lies in idleness, which is absolutely contrary to human experience. Our wage earners are imbibing this poisonous vapouring from professional agitators all over the country.

13.

The subject of factory control by labour is receiving much attention in Great Britain, where constructive thinking is the order of the day, just now. The State was forced into manufacturing during the war and owns many splendid plants. Sir Eric Geddes now proposes to turn over certain aviation plants to be operated by the workers on a co-operative basis and under a limited control by the State as owner.

Mr. H. G. Wells, as chairman of a committee appointed by the British Government to consider questions of labour in the aviation industry, recently made a minority report to the Committee on Civil Aerial Transport, embodying this suggestion. He recommended joint control of aircraft factories and aerial transport by the State and the workers. He also emphasized the value of this new industry in affording employment for disabled sailors and soldiers.

It is possible that a national aircraft factory at Waddon, where thousands of workers have been employed in the manufacture of powerful new aeroplanes, suitable for commercial purposes, may be selected as one of the factories where the experiment in democratized industry will be carried out. The following is an outline of a plan elaborated by the "shop stewards" at Waddon, for the working-out of the proposal:—

1.—The factories are to be controlled on the business side by a committee representing jointly and equally the State as owner, and the workers as producers.

2.—On the productive side the work should be controlled by a body representing the men and women in each department.

3.—Under the committee should be the departmental heads constitutionally chosen by this committee, due regard being paid to their qualifications.

4.—Trade union rates and standards should be regarded as the minimum, and nothing should be done to weaken the conditions already obtained by organized labour.

This is all refreshing evidence of new ground being broken.

14.

The question of wage disputes reduces itself merely to one of administration of plain justice as between man and man. The problem does not look formidable, stripped of all extraneous matter. The most complicated disputes, frequently involving precisely the same principles, are settled daily by our courts of justice. Before the war, the world could not agree to settle international disputes as private individuals were compelled to settle their quarrels. But the war has made international arbitration not alone possible, but absolutely compulsory. It will ultimately have the same effect in regard to the lesser questions. The world is sated with war. We will have none of it, whether it be war within or without our national boundaries. Twelve million lives have been extinguished to vindicate the theory that "might is not right." The subject is not even open for discussion.

The most damnable indictment lies against Canadian labour leaders. Having recognized the problem, they have been satisfied with a policy of

opportunism. Our public men have still less cause to be proud. Successive Ministers of Labour have timidly played with the problem of capital v. labour. Capital itself has pursued a stupid course. It would be difficult to point to any great political or economic problem that has been made the victim of more arbitrary methods, studied negligence and lack of vision, than this. We now have the problem before us in acute form. It cannot be side-stepped any longer. Syndicalism and sympathy-strikes give the long-suffering public merely the choice between compliance or anarchy. It seems to be a case of whether one side or the other has the bigger club, which is a thoroughly German method of settling grievances or attaining ambitions. All parties to the perpetual dispute have cheerfully followed the old, beaten track, apparently quite convinced that no other and better way was open. This spectacle is not encouraging. Capitalist, labour leader, statesman—each has seemed more utterly helpless than the other in grasping the situation. The consumer looks on, wondering what is going to happen next. Are we to conclude that those representing labour, those representing capital and management, and the Government, representing the consumer, are absolute imbeciles, or that no just and reasonable basis exists for the settlement of labour disputes?

15.

Labour has always been most insistent upon its "right to strike." The only time this attitude was

formally challenged in Canada was by an order-in-council under the War Measures Act which made arbitration compulsory in industrial disputes. Violent labour disturbances followed at various points in Canada, also threats of sympathy-strikes, and the Government at Ottawa, after the opportune signing of the armistice, discreetly repealed the objectionable measure.

Under democratic government, such as we have in Canada, and such as they have in the United States, where most international labour union organizations maintain their headquarters, a position of extreme danger is necessarily created, when any class of the community, be the members thereof mechanics, labourers, farmers or bankers, can hold a loaded gun at the head of the government and the people, at a critical time in the history of the country, and enforce any and all demands, be they just or unjust, simply by the threat to demoralize business, backed up by an enormous political power. Democratic government becomes a farce under such conditions.

The right to strike under any circumstances, also confers the right to deprive citizens of transportation, fuel, bread and all the necessities of life: the right to let criminals loose on society, and to deprive the community of fire protection. Society has, as a matter of fact, during recent years been deprived of all these things from time to time in different parts of the world through strikes. Decidedly, this right cannot be conceded in a reorganized, civilized community. Some better way must be discovered.

The labour union movement has served its main purposes in securing better pay and shorter hours for employees in certain branches of industrial production. To bring about these excellent reforms, the unions organized for fighting purposes. It would be a grave error to condemn unstintingly a fighting organization. The unpleasant fact remains, that few worth-while social readjustments have ever been attained solely through moral suasion. Self-interest lies at the bottom of all human endeavour, and privilege dies hard. We concede the point and make the sacrifice more often because we *have to,* than because we *want to,* and the "big stick" is generally the only conclusive argument. This situation reflects little credit on our state of society, but history is replete with instances that demonstrate the truth of the assertion. Labour assuredly would never have reached its present status without militant methods. They cannot, therefore be unreservedly condemned. It was a case of the end justifying the means. But with the end of this world war the days of the fighting organization should become a thing of the past; it won't fit in with the New Spirit.

16.

Canada, with her pitiful eight and a half million inhabitants and with her large liability for pensions, public debt, etc., and vast expenditure for the ordinary services of Government, to some extent necessitated by the enormous area of country to be administered and served, is to-day precisely in the

same position as a highly capitalized industrial establishment with commodious buildings, modern machinery and equipment, as well as organization and markets available for a large annual output and, naturally, burdened with all the overhead expenses incidental to such a manufacturing equipment and capacity, but with two-thirds of the plant standing idle owing to lack of labour. The problem confronting this imaginary enterprise and the present financial problem of the Dominion of Canada appear to be absolutely identical. It is contained in two main propositions: first, so to utilize the present available forces as to obtain maximum efficiency and the greatest possible output; secondly, to obtain at the earliest moment a sufficient number of additional hands to run the plant to capacity.

Our greatest national problem is doubtless to find the hands to work our agricultural lands, our mines, our fisheries and our forest resources, to capacity or as near capacity as we can. Granting the available resources and the available manpower, additional working capital will naturally follow as fast as required. If capital gets fair protection and profitable employment in Canada, we need concern ourselves little about this phase of our development. The world is now full of capital looking for safe and profitable investment, as far from Bolshevik activities as possible.

To utilize our present forces to capacity, however, is the immediate and most important problem facing us in Canada to-day. As I am writing this,

the press carries a despatch from the Pacific Coast to the effect that labour there is asking for a six-hour day and a five-day week. I do not blame labour for making unreasonable demands. It is simply a case of lack of information; merely another manifestation of the absurdity of our present system of autocratic management of industry. Capital ridicules ideas of this sort, but takes no constructive steps to see that labour is properly informed. Labour interprets such an attitude as mere unwillingness to "disgorge." Mutual distrust is the final result, where identity of interest would suggest sympathetic co-operation. Quite obviously, there was never a more unfortunate period in which to attempt to reduce the standard working hours than the present.

The educational effect of war operations on industrial production the world over will not soon be forgotten. The eyes of the nations were opened to the possibilities of speeding up, under most adverse labour conditions. Women were mobilized for work that would have been regarded as entirely beyond them years ago and they did well. At this moment, the world must of necessity be far behind with the supply of products and manufactured articles normally required. Our energies have for years been almost exclusively focussed upon supplying war materials. Such activities are now, we hope, a thing of the past. The individual to-day is in a reasonably prosperous condition due to higher wages and enforced economical living. He is doubtless able to purchase as freely as ever

he was, and he will. Half of Europe is bootless and lacks almost every article that has hitherto been considered indispensable. Canada and the United States have also been living on short rations and will require to replenish. Our railways are out at elbow, our ships have been destroyed, our productive machinery requires overhauling. Everything, in fact, indicates, that there will be no lack of orders or employment as soon as we get safely over the present transition period. Raw materials also will presently be available in normal volume.

When that time comes, we shall need to speed up as effectively as we did during the war, and now is the time to perfect our plans. We cannot afford, for reasons of national interest, to lag behind in profitable production. Our motto should be to put our men to do men's work. The towns and cities of this huge, undeveloped country, which is crying to heaven for more, and yet more, man-power, to develop our natural resources, are crowded with strong men measuring calico by the yard, and filling ice-cream cones, while our women milk cows and often perform the harder tasks on the farm and in the factory. During the war the slacker was asked why he was not in khaki. The able-bodied industrial slacker might now appropriately be asked: "Why are you not in overalls?" Employers might advantageously follow the good, sound war practice of turning adrift strong, single men who occupy situations that could be satisfactorily filled by women, physically-disabled soldiers or married

men. There will soon be man-sized jobs waiting elsewhere for the able-bodied worker.

The question of man-power must always be paramount in a new, undeveloped country and Canada is no exception. It is perhaps the supreme problem to-day. Labour in Canada has, naturally, always been antagonistic to immigration. Public policies on the subject consequently, have had to be framed with a cautious eye to labour's general attitude. There is just now a strong tendency to erect unreasonable barriers against the inflow of population. While it is sound policy to close our gates to undesirables, we frankly cannot afford to be too particular. "Canada for Canadians" is a beautiful sentiment, but Eastern Canada, with its dwindling birth rate, cannot furnish population for colonizing its own idle lands, leave alone the enormous areas of the West. Canada must perforce increase her population so as to reduce the per capita public liability and we must secure assistance to develop our country and increase production to pay our debts. This seems the most elementary sort of proposition. There is no philanthropy about it. It is plain, unadulterated business.

There is another feature of immigration that organized labour must not overlook. Colonization via the "homestead route" is not at all a pleasant occupation—not nearly as pleasant as urban employment with a six-hour day and a minimum wage. Yet, this tiresome frontier job of work must be done by someone, if urban labour is to continue

drawing even its minimum wage and not be reduced to the point where even six hours' work a day is unobtainable. This pioneer is the man who, in the last analysis, pays part of the wages. Skilled labour has not in the past manifested any alarming tendency to take up frontier homesteads. The fact is, that the development of our "hinterland" would cease almost as soon as we put the bars up against alien immigration. That is about the only class that will be bothered with our present homesteads consisting mainly of cull lands, remote from transportation.

But perhaps we need not get unduly excited about the matter. The chances are that continental Europe will put up the bars at home and do it most effectively. Even in pre-war days, European countries hated emigration and prohibited all propaganda calculated to lure their people to other countries. In the face of the enormous State liabilities, reduced man-power and reconstruction requirements of Europe, it would be folly to anticipate any large movement of people from there to Canada. We shall have to pin our faith to the United States with whatever help Great Britain can give us. And organized labour must be good and refrain from embarrassing our colonization authorities. They will deserve help and not hindrance.

17.

We find in the bewildering paradox of life, that evil influences are frequently productive of beneficial ends. The course of our social evolution is punctuated with horrors, and mankind has in all ages waded through rivers of blood to reach the shore of the land of promise. The world has just emerged from another blood bath, the most appalling of all. The crucifixion of mankind was endured with stoicism because great principles were at stake, principles great enough to justify millions upon millions of the world's lusty youths risking the great sacrifice and ready to pay it willingly. Some degenerate minds saw in this world-eruption merely the hands of the "capitalist." Those with a clearer perception of things, saw the world in arms to vindicate the right of the common man to liberty and freedom of action. This was gained at the cost of life and treasure, willingly sacrificed by all classes, in volume unprecedented in history.

The world is exhausted by the effort and the time is ripe for the unscrupulous demagogue to take advantage of the situation. Countries now at peace with other nations are seething with poisonous propaganda within, directed by those who stayed at home and profited by the nation's distress. Labour is restless and impatient and easily influenced. Strikes are the order of the day. Labour feels its power. Organizations no longer respect contracts, nor are they amenable to discipline. Society cannot resist organized anarchy on the part of a large

class of the population. Whatever labour demands must perforce be conceded even until industry collapses. That is clear. No law can be enforced that would change this situation. Labour has a monopoly, and the very best that society can hope for is moderation of demands. The farmers, by acting together militantly, could starve Canada, including the labouring man, into paying any price for food they chose to dictate. There is no particular trick about that. Any jackass, wielding a bludgeon and flourishing a shooting iron, can take the purse from an unarmed man or woman. But we all thought that the new world was to function on the principle of the "square deal"—justice to all.

18.

I say to the labouring man, in all seriousness: "Don't rock the boat." The industrial situation in Canada is in the flux. Many industries are face to face with far-reaching changes in production; in many cases complete mechanical re-organization. Owing to labour unrest, those who could go full steam ahead, hesitate to enter into contracts, not knowing what wage demands may at any time be made upon them. The whole international industrial system is in process of re-organization. No manufacturer knows what to-morrow may bring forth. It is a period for caution. Seriously, is this the opportune time to enforce your demands—to declare war? Because, that is what it means. You have gained much in recent years and you will

gain more, but give your country a chance to take breath and settle down after the recent exertion. You can afford to wait awhile until industry finds its bearings and can discuss the future with you intelligently. Be patriotic!

There is also a word of warning due to the crack-brained anarchist. . . . I am not going to insult the decent, self-respecting worker by classing him with you, so far, an infinitesimally small, if blatant, quantity in Canada. Our environment is uncongenial to you. Your very profession of faith renders you impervious to argument. You would fail to understand. You are generally the product of the slums of European cities—the issue of feeble-minded parents. That is your misfortune and, to some extent, your justification. Your sort is having its fling in Russia to-day, murdering, pillaging and destroying. This present terror may wipe off the face of the earth cities, towns, arts and industries of that unfortunate country. But any of these vandals who escape death by violence or well-merited starvation will live to realize, that the Soul of Russia—in the safe custody of the "man on the land"—can never be destroyed. It cannot even be polluted for long by contact with this degenerate scum of humanity—the worthy offspring of that frenzied, body and mind destroying, industrialism which the modern world falls down and worships abjectly as the greatest of national achievements. The real Russia goes on her way imperturbably. In her primitive strength she will live and prosper even without cities and towns and

industry and capital and labour. Canada is precisely the same kind of country, but with this important difference, that we have an enlightened and aggressive agricultural population here which outnumbers all other classes combined. Take that lesson to heart.

Upon the employer I would urge, as his patriotic duty at this time, an immediate and careful investigation into any grievances of his employees. Get together! Anticipate the claims of labour. The wages you pay, and conditions of employment, must compare favourably with those prevailing elsewhere. If they do not, and you cannot now correct them and live—and there are many cases of this sort—call your employees together and take them into your confidence. Then you have done your full duty. The day of splendid isolation on the part of the employer is gone. The new day is dawning.

It must be at once conceded, that the democratic State can, through legislation or coercive measures, contribute comparatively little towards the improvement of industrial relations. Its functions in this direction must be confined to investigation and the formulation of effective plans to bring the contending parties together on a workable basis, thus leading the way towards a lasting *entente cordiale.* The obvious course for the Federal Government to pursue would seem to be, to adapt forthwith the Whitley plan to Canada's requirements by creating territorial divisions of uniform labour conditions in each trade, and then energetically to assist in

organizing each industry as therein contemplated. Everything points to the soundness of the principle, that conditions vary so enormously in each different line of industry, that they must be autonomous absolutely. It is the plain duty of the Government to take the first step in the complete industrial organization of the country.

It is encouraging to note, that a commission on industrial relations is at work in Canada. It is devoutly to be hoped, that its deliberations will not be unduly prolonged.

The British Government recognized the gravity of their industrial crisis by placing a very brief time limit on the work of Mr. Whitley's committee. It was measured in hours and days. Let us "wake up" in Canada, too. We cannot afford to devote weeks and months of precious time to cogitation, reflection and hair-splitting. It is a real, man-sized problem. The country is weary of timid vacillation and is ready to support heroic, constructive effort towards ending the existing demoralizing labour unrest. Give us action!

CHAPTER EIGHT

THE SINGLE TAX CONTROVERSY

1.

THIS volume would be incomplete without some reference to the single tax system. A very extended and detailed consideration of the matter is not possible here, but a general survey of the proposal may be useful. The sentiment in favour of the adoption of single taxation is undoubtedly growing throughout Canada. The organized farmers have definitely incorporated the policy in their platform and the system numbers amongst its adherents many able and influential men. The issue is distinctly and emphatically before the public in this country and it, therefore, merits the most serious consideration.

I have for years honestly attempted to master, at least, the fundamentals of the system and have diligently read a great deal of the extensive literature available. Single taxation is very evidently less of an economic than a social system. It is heralded as the only comprehensive, all embracing, and just scheme of taxation. It is also claimed that its adoption would be followed by the elimination of poverty through the more equal distribution of wealth.

The scheme, broadly speaking, is to collect taxes on the site or rental value of land only, and not on

improvements, to impose special taxation on unearned increment in land and to abolish all other forms of taxation including import duties. As a taxation proposal, pure and simple, it has undoubted merits. But the point, of course, is, that the land tax would be so large, that it would practically absorb almost entirely its annual rental value. In other words, it would appear to be practically equivalent to confiscation of all land for the public benefit. The issue is almost wholly one of degree and the extraordinary feature about the case is, that one is never able to pin the single taxer down to anything concrete on that subject. Statistical information is readily available, on which calculations could be based, forecasting in detail almost the exact financial operation of such a plan, if consistently carried out, but such calculations are conspicuous by their absence. The high priests of single tax ask the public to take almost everything on trust. This attitude is unfair.

Opinions will be divided as to the morality of the wholesale confiscation of land. Why a citizen who, for the time being, has his savings invested in land, should have it confiscated, or even partly confiscated, while another, who left his money in the bank or put it into railway shares, remains in undisturbed possession of his property, is difficult to see. The single tax advocate hastens to explain, that the ownership of land is immoral and that, therefore, no wrong is done by the State in taking its own. But that fine-spun theory does not eliminate the hardship to the absolutely innocent individ-

ual who happens to be a land owner for the time being.

The literature on the subject is generally most obscure and disappointing. We are told, that with the whole burden of taxation against the land, rents would not increase. Authority after authority (mostly obsolete) is quoted on that point. To the ordinary mind, the first and obvious effect of an increase in taxation of land, would be a corresponding increase in rents, and the burden would be automatically transferred. That happens now every day in our larger cities, and also in connection with farm tenancy. The tax is simply part of the overhead cost of administering real property and is recovered in the rental charge.

Then we are treated to long disquisitions on what controls wages—page after page of ponderous, abstruse arguments, interspersed with quotations and refutations. This war has pretty well shot to pieces all the theories of the older generation of political economists. They may have meant something in California in 1875, when Henry George propounded his new social system. They mean absolutely nothing in the Dominion of Canada in the year of our Lord 1919. Every one knows, that, with the possible exception of periods of widespread depression, labour unions control the wages of organized trades, and unorganized labour is generally paid in proportion. This is perhaps a superficial view, but it is practical. Why make mysteries of these things? They are plain as daylight and put aside all the beautiful economic theories completely.

The truth seems to be that Henry George was a dreamer and an enthusiast and his latter day adherents are inclined to follow the same lead. One is surfeited with glittering generalities, while the honest investigator is hungering and thirsting for concrete facts. In this respect, the single tax agitation very much resembles the socialist movement, which has been so completely discredited by the events of the recent war.

2.

In spite of the fact that the single tax theory has been urged, in season and out of season, for more than a generation, no country has as yet adopted it completely. In fact, Canada, particularly the West, has perhaps gone farther in this direction than any other country and sometimes with unhappy results. These, we are told, are due to the fact that the system has not been applied in its entirety. Land, as a basis for taxation, is in itself an attractive proposition. It is visible and cannot be made away with. Its ownership and value may easily be ascertained. It can unquestionably be made the basis of a just taxation system. But not necessarily to the exclusion of all other sources of internal revenue.

The single taxer reserves for the State the greater part of the unearned increment on land. If you buy an acre of land for $10.00 and then sell it for $25.00, the State steps in and takes all or part of the profits. That idea has much to recommend it, but supposing it is bought for $25.00 and then fore-

closed on a basis of $10? That makes an awkward situation, and there are cases of that sort every day.

We are perhaps expecting a little too much of human nature when we want a farm owner, for instance, to become wildly enthusiastic over it. He, let us suppose, was one of the early pioneers and obtained his land for nothing. He has now, by the sweat of his brow and by all sorts of hardship and self-denial, transformed his half-section of bleak prairie into a real home with waving grain fields, and flowers growing all around the comfortable homestead. Perhaps he wants to retire. He may be getting on in years or lacking in health and have no family. His land is his chief asset. He wants to sell at the best possible figure. Why should he be deprived of the fruits of his labour through the operation of a confiscating increment tax? God knows, that he deserves every cent he will ever get out of that farm. I have pioneered myself in two provinces and my sympathy goes out to that man. We can't ever do enough for him. He has done more for the public than the public will ever, or can ever, do for him. What right has the single taxer to maintain, that the increased value of this land is entirely due to the community which, as a matter of fact, played a comparatively small part in its enhanced value? It is sheer exaggeration.

But, notwithstanding all this, there is much to be said for the principle of the part confiscation of unearned increment in land values, for the benefit of the public. It has, at least, certain solid and substantial arguments behind it, and one thoroughly

comprehends just what it means. But then, we already have that principle embodied in legislation in a somewhat mild form in the western provinces of Canada.

3.

The very first element in taxation must necessarily be the ability of the State to collect. On imports we collect taxes in advance. As to tax on income, the citizen and all he owns is liable. On a land tax, the land only is the security. Governments cannot carry on the public services and pay for them in town lots. They must have real money. Here is the first difficulty. Urban land values all over Canada, and particularly in Western Canada, are largely fictitious just now, and probably will be for many years to come. A single tax, as heavy as such a tax would necessarily be, would not lend itself very readily to raising revenue out of non-productive town lots.

Let us take a case in point and see how it would work out. The Town of Chilliwack in British Columbia has a population of 1,600 souls. It covers an area of 1,040 acres. It could comfortably take care of its population on 160 acres. That would give about half an acre to each family. We may, therefore, take it for granted that about 880 acres is held speculatively—not necessarily by people who have bought property at a song, and now, with consummate greed, stand by to see Chilliwack grow into a city by the efforts of others, when they will calmly sell and depart with their

ill-gotten gains. More likely the unfortunate owners of this property have paid ridiculous prices for it and would be glad to sell at any time for a mere fraction of what the investment had cost them originally. Most of these speculative owners have probably by this time abandoned their property rather than continue paying the heavy municipal taxes.

However, under a consistent single tax plan, the problem would face the Minister of Finance to collect from the Town of Chilliwack the sum of, at least, $143,000, made up as follows:

(1) Dominion Tax based on total estimated Federal expenditure of 300 millions, being at the rate of $37.50 per head of population in Canada. Chilliwack has 1,600 inhabitants.	$60,000.00
(2) In lieu of Provincial Income Tax now levied, not less than	6,000.00
(3) In lieu of Municipal Tax now levied, approximately	77,000.00
	$143,000.00

The total land assessment of Chilliwack is $975,000, of which doubtless not fifty per cent. could be realized at any price, having in view the present tax liability to the municipality. What would be the condition of this town under a rate of taxation amounting to fifteen per cent. of the present high assessed value of all land? The State would soon own it all.

It may be argued that the example cited is not an average one. Possibly, but it is not by any means an isolated one. Hundreds of urban municipal-

ities throughout the West, and doubtless many in the East, are in the same, or even in a much worse position. A taxation system of this sort must necessarily be susceptible to general application. If it falls down in even one locality it is unworkable. We cannot enforce it in the city of Montreal, where it might apply, and adopt some other system in the smaller towns.

4.

It seems evident, that if the single tax system will work anywhere, it is in the taxation of agricultural lands. But the single tax enthusiast tells us, that the intention is to make the urban centres carry the main burden and deal gently with the farmer. That simply cannot be done. As a policy it would be dishonest. We are, therefore, face to face with the uncomfortable fact, that the farmer, whose main asset is necessarily his land, cannot hope to escape heavy taxation, whereas the city man, whose assets may be, and frequently are, confined to stocks and bonds and other business investments, would escape taxation entirely. He may pay indirectly, but that supposition is much too theoretical for practical discussion. If rents are not to be advanced, how would he pay?

We are told that the proposal is to sweep away all other forms of taxation and concentrate the levying of taxes, for public revenues of all sorts, upon the land. Then it naturally follows that the greatest land-owning class in Canada, viz., the farmer, must look forward to contributing a

greater proportion of taxes than he is doing under our present dual system. I say "dual system" advisedly, for we now have, in the West, at least, practically a system of single tax as far as provincial and municipal revenues are concerned. Federal revenue is, of course, raised by means of import duties and income tax and in various other ways. The single taxer then advances the argument that his system automatically involves a change in our fiscal policy—that it means free trade, and that the farmer, by virtue of being able to purchase his goods in a cheaper market, could well afford to pay a higher tax on his land. The real point, therefore, seems to be, whether the farmer would in the end, contribute more under a tax upon his land only, than he now does with a nominal land tax, but labouring under the handicap of a "tariff-for-revenue" system with its indirect burden. In other words, the main question apparently is not one of single tax at all, but of fiscal policy. It is a pity that the two should be mixed. It beclouds public understanding of a very important subject. What we want is straight and clear thinking: facts and not fads.

One never ceases to wonder what species of hypnotic influence the single tax enthusiasts have exercised on the farmers to enlist their support. The farmer of Canada should be the governor on the engine of public opinion and the brake on hasty and ill-considered public action. As the great land-owner, this becomes his natural role and responsibility, as it has in every country on earth

since the dawn of civilization. The apostles of single tax should make it abundantly clear on what basis they claim the support of the farmer. We want less oratory and froth, and more facts and figures, which may be easily digested and understood.

5.

Even in its application in urban centres, there are some very serious objections to the principle of the single land tax, which I shall only touch upon lightly. We have spent large sums of money in Canada on propaganda work in connection with town planning, the object being to bring about such reforms in urban administration that our towns and cities will become more healthful and more beautiful and altogether more desirable as places of residence. It is difficult to imagine any movement more promising in its scope and effect.

The very foundation of intelligent town planning is to ensure that houses are not jammed up one against the other in the residential areas, but that each residence has a generous site for garden and ornamental purposes. This has been distinctly discouraged in our western towns as the direct result of the limited municipal single tax system. The tax, being based on land value only, it follows, that the man who builds on two lots of twenty-five feet frontage each, which just gives sufficient room for the average small house, will pay only one half the taxes his neighbour pays who devotes an additional two lots to lawn and garden and is thus a public benefactor.

Another effect would be the gradual elimination of the individual home and the introduction on a large scale of apartment and tenement buildings. Obviously, with a very heavy tax on the ground, the object would be to crowd as many families upon a given area of land as possible. This practice is now very common, but would be inevitable with heavy ground rents or taxes. Surely, we could not contemplate such a development with equanimity! Our cities would become as congested as they are in Europe, with lasting injury to the health and well-being of our children and ourselves.

It is also clear, that the burden of taxation would automatically be reduced upon the principal streets of our cities, with their imposing office buildings and stores, and would be increased correspondingly upon inferior business properties, which even now cannot stand very many additional burdens. This would mean, that the most affluent citizens would apparently be relieved of heavy taxation, to the detriment of those not so well able to contribute.

The single tax advocates will need to meet these objections to their proposal before they can count on the unqualified support of a majority of the voters. As a general scheme of raising revenue, land taxation is very attractive, but those who believe in the single tax would be well advised to abandon generalities and to focus their attention solely upon the concrete problem of applying the theory to conditions as they exist in Canada.

6.

Before leaving this subject, I want to comment briefly on the question of the attitude of the State towards the non-resident land owner. This much abused individual receives scant sympathy. Every possible method is used to make his burden intolerable. Frequently he is not a resident of the community wherein he owns land and, therefore, is not a political factor. The single taxer frankly desires to make his position untenable. While the problem of the unoccupied land, title for which has passed from the Crown, is to some extent a general one, I shall deal more particularly with the Western situation, which seems to worry many of our ardent reformers.

The Western provinces have now passed legislation dealing with the subject. The "Wild Land Tax" has a two-fold object in view. First and foremost, to raise revenue. Secondly, to promote the settlement of unimproved lands. Of course, the taxation of unoccupied lands holds out great attractions to those who are responsible for raising the necessary revenue to defray the expense of our provincial public services. The owners, in most cases, are not there to raise objections. And, better still, they are not even there to vote against the Government, which may indulge in sweet dreams of the happy state of legislators if all revenue could be raised by taxing absentees!

To the personal knowledge of the writer, a very large proportion of the unoccupied land in West-

ern Canada, outside Hudson's Bay Co., railway and school lands, is not held by speculators, but by men who came to Canada, generally from the United States, to buy farms with the full intention of settling on them as soon as they could disentangle themselves from their home interests. This sometimes takes years to do. Why did these men buy land in Western Canada before they were able to settle on it? Because they had no intention of making any move until they knew they could get satisfactorily placed elsewhere. Therefore, they had to secure land before they even attempted to sell out in their old homes, also forestalling any prohibitive increases in the price that might afterwards take place. This large army of absentee land owners is now contemptuously classed as "speculators," simply because they exercised ordinary business foresight.

To regard them as enemies of the country seems a very far-fetched theory. They are now bearing the burden of normal taxes and, in addition, are paying the extra "wild land" tax, while the unoccupied land they own is being put to beneficial use by the settlers in the neighbourhood, for grazing purposes. Are not these men really benefactors? I confess they have my full sympathy. Their lot is not an enviable one. We persist in ranting about the "settlement of our vacant lands." Let us be honest and admit, that the Provinces tax them now because they need the money and need it badly.

There is, of course, the case of the vacant town or city lot to be considered. But why waste time on elaborating taxation schemes for that class of

landed property? No one wants it. The burden of municipal taxation is now almost intolerable and the title to the greater part of out-lying property of that class will doubtless pass, or has already passed, to the various municipalities, through the expedient of tax sales. Inside vacant lots of greater value lie idle because the demand for buildings is not there. No sane man would carry an investment of that sort in an undeveloped state, in the face of a large annual tax bill, if there was the slightest possibility of making it revenue producing. As a general rule, the unfortunate owner of this class of property is quite sufficiently punished by the very reason of his ownership, without devising special means of inflicting further penalties.

The whole problem of the settlement of our vacant farm lands in the West, is not to be solved by any iniquitous system of confiscatory taxation such as is clearly in evidence now. It is rather a case for promoting general colonization and for bringing intending settlers and absentee land-owners together, so that a sale may be conveniently effected. Taxation on a very moderate basis may play a certain part, but should not be regarded as the sole policy to be considered. These men have purchased land in good faith, and probably at high prices, and are entitled to be protected against predatory legislation, which in the end will do vastly more harm than good, by destroying the confidence of residents of other countries in our integrity and in our institutions. At any rate, it is at least useful to reflect upon the other side of this question.

CHAPTER NINE

INDUSTRY AND TARIFF

1.

THERE can be no possible argument against a national policy of encouragement of the industrial development of Canada, although there may be widely divergent opinions as to the precise method of doing so. A nation is composed of individuals with varied ambitions and preferences in the way of occupations. If they cannot find sufficient scope for their talent at home, they emigrate to countries where they can, which is a loss to the State. There is, however, as above stated, ample room for argument as to the most efficient and fair methods of extending encouragement to industry, and this is, unquestionably, the greatest conundrum that faces Canada today.

Every country presents peculiar problems of its own in this respect. Canada's industrial section is now largely confined to Ontario and Quebec. These Provinces, unfortunately, are not generously endowed with the natural resources that form the raw materials of industry. They do not produce a single ton of coal. The Nova Scotia coal comes up by water only as far as Montreal. Ontario, therefore, is absolutely dependent upon the United States for every pound of coal consumed, domestic as well as industrial. To make

matters worse, we have no great iron deposits available in Eastern Canada which can be developed profitably. Such a state of affairs would ordinarily make industrial development very difficult. Ontario, however, has succeeded in rendering available enormous water power, which to a limited extent, equalizes the situation. Out of the total Canadian water power of over two million horse power, now developed, Ontario has the lion's share. The per capita figures for other countries show, that next to Sweden and Norway, Canada ranks the highest in developed water power according to the population. This is most satisfactory and encouraging.

The concentration of our industrial energies on the manufacture of war material and munitions during the great war has, however, opened up new possibilities for the extension of industries. Canadian manufacturers, coming into direct competition with the world, made a proud record for themselves. They demonstrated their ability to produce against all comers, in point of economy as well as quality of product. When the full story is told we shall find, that our industrial leaders and our man-power are second to none in the world.

Great possibilities are looming up with regard to steel production in Canada. We have extensive deposits of magnesite in Eastern Canada which were developed during the war. Our carbon electrodes stand in the very first rank and can compete successfully with the British in point of cheapness. We also have our vast nickel deposits which are

now developed to a very high standard. Under the circumstances, nothing seems to stand in the way of Canada branching into the manufacture of high quality steels. Our annual steel production has been increased from one million tons pre-war production to two and a quarter million tons. We have a few other raw materials in abundance, notably pulpwood, which are also leading to increased industrial production.

A recent industrial survey by the Canadian Census Bureau shows healthy progress. The following are the figures:—

	1917	1915
Capital invested	$2,772,517,680	$1,994,103,272
Employees on salaries	73,598	52,583
Salaries paid	95,983,506	60,308,293
Employees on wages	619,473	462,200
Wages paid	477,246,456	229,456,210
Cost of materials	1,602,820,631	802,133,862
Value of products	3,015,506,869	1,407,137,140

The gross value of goods made in Canada in 1917 amounted to $3,015,506,869, and the cost of material was $1,602,820,631, leaving a net value added by the process of manufacture of $1,412,-686,238, or $5,449,098 more than the gross value of production in 1915.

There are special reasons why we should promote our export trade. We have enormous interest payments facing us abroad. These must be met largely by exports. But the basic principle should be, that industry should be encouraged only to have Canadian labour most profitably employed. We certainly cannot afford to employ Canadian labour

in making articles that the foreigner can make much cheaper than we can. It is waste of time, energy and capital. The result of such a condition most frequently leads to capital and labour being employed in unnatural, artificial industries, when these forces could be profitably employed in developing industries natural to the country.

2.

Soon after Confederation, while Canada was young, the Government of the day in its wisdom decided to inaugurate a policy of encouragement to Canadian industry. The proposal was labelled the "National Policy" and became law after a hotly contested election. It was designed to protect infant industries and, incidentally, produce Federal revenue. This was the programme of the Conservative party. The Liberals for years denounced as iniquitous any proposal to protect industry. We should have free trade, "as they have it in England." In the fulness of time the Liberals became the "ins," in Canadian politics. But the tariff remained, except for a few spectacular but inconsiderable amendments. In fact, with the responsibilities of office, or perhaps impairment of profitable sources from which to draw the party funds, the Liberals experienced a change of heart and a "tariff for revenue only" became the party slogan. This was calculated to square the consciences of all. As above stated, the "protective" tariff of the Conservatives and the "revenue" tariff of the Liberals were precisely the same dog under a new name.

Incidentally, this flagrant violation of specific pre-election promises, is perhaps the most disgraceful chapter in Canada's political history. This tariff policy, with entirely unimportant modifications, has remained in effect ever since.

I entertain grave doubts as to the wisdom of developing industry by the indirect means of an admittedly unscientific tariff. I question its efficiency, and particularly its expediency and justice. A sound industrial policy would, of course, encourage only such industries as held out reasonable expectations of getting on an export basis through proper specialization and favourable environments. To have protected Canadian industries for fifty years at the expense of the public, with the only result, that the tariff has had to be increased from time to time at the bidding of these industries, shows conclusively, that there has been no substantial, healthy progress and, that these industries are apparently less able to support themselves now than they were 50 years ago. To argue for one moment, that the people of Canada, east or west, will be satisfied with such a policy is futile.

The present is a most appropriate time to take stock. The great war has entirely revolutionized the world's industrial situation. Tariff barriers were primarily justified on the plea, that any country offering its workers decent wages, hours and labour conditions, could not fairly be asked to compete with other countries paying starvation wages, imposing long hours and permitting the exploitation of labour without restriction. That

was plausible. We are now, however, face to face with the international emancipation of workers, leading to wages as high and hours as short as the most advanced country every conceded to labour. Cost of living on the continent of America will be as low as in any country in Europe; perhaps lower. The burden of taxation in Europe will be enormous, comparatively speaking, which will automatically increase industrial overhead cost there. Add to this the admitted superiority of our manpower, productive and executive, and the gloomiest pessimist cannot fail to agree, that we should in the future be able to compete against all comers. The German commercial menace has vanished. Japanese labour shows signs of falling in line. Canadian industries should now be able to compete in the export market on an even basis. All this has an important bearing on the fiscal issue.

3.

It is difficult to grasp the point of view of those who have guided Dominion finances since Confederation. We started with a policy of out-and-out protection. Needless to say, we never had protection as a consistent fiscal system. We don't apparently even realize what the word implies. A protective system creates a tariff wall high enough to keep foreign products out. With necessary modifications, this is the principle involved. Hence, it cannot be depended upon for revenue. Also, it clearly contemplates a periodical expert investigation of protected industries so as to

promptly reduce, or entirely remove, the measure of protection as soon as the infant industry shows its ability to live without artificial stimulant or upon reduced rations. The whole drift of a true protective system is, of course, towards free trade. I leave it to the reader to judge to what extent we have had "protection" in Canada, as a consistent policy! We have been saddled with a corrupt and pernicious fiscal system that cannot be defended on any grounds of public interest, that rests on no sound economic principles, that is simply an ugly hybrid, neither fowl nor fish.

The most pathetic effect of this haphazard system of ours, is the demoralization of many spoon-fed Canadian industries. When a concern became involved, it was found much easier to make a raid on Ottawa for more protection than to examine into the management and efficiency of the plant. And Ottawa was amateurish. There was no searching investigation by any competent body. Persistent members of Parliament, who depended upon the support of large industrial establishments, and the ever voracious campaign-fund manager, could always put up to the Government arguments much more potent and convincing than those of a mere expert Tariff Board, even if such an institution had existed, which, of course, it did not.

I have endeavoured to the best of my ability, to view the situation with an open mind. Above all, I have carefully guarded against that most fatal of all mistakes, namely, applying the experiences of other countries to our domestic problems. Noth-

ing can be more stupid and fallacious than to point to Great Britain, a free trade country, and conclude, that as Great Britain is great, she is great because of her fiscal system. Ergo, if Canada adopted free trade, she would be great. Perhaps Great Britain is great in spite of it! At least, millions of people boldly make that assertion. It is equally fallacious to point to the United States, which as a matter of fact is the most conspicuous example of an absolutely self-contained country with unhindered interior trade, as the clearest evidence on the other side of the controversy. One would, of course, be further mystified on finding, that in 1918 free trade Britain collected $10.25 per capita of population in import duties, while our high protectionist neighbour to the south only contrived to collect $1.70 per capita from the same source and Canada, for the last year I have record of, a modest $17.50 per capita. It is all very confusing and probably only shows, that each country has its own problems and must apply its own remedies. There is just one fairly safe attitude, namely, that Governments, as a rule, can do little by negative policies of exclusion as compared with positive policies of promotion. My choice would, on general principles, be in favour of the latter as an economic article of faith.

We are, however, more immediately concerned with the general effect of Canada's avowed tariff policy and whether it metes out equal justice to all classes and sections of our country. Considered purely as a scheme of taxation, does every citizen

contribute his just and fair share towards the services of the country or is the burden of taxation unequally distributed? Considered as a protective measure, does it actually give adequate and indispensable protection to industries only that cannot survive without it and are these industries absolutely essential in the public interest? Also, are those industries of equal value to every citizen who contributes towards the price for their retention? These, apart from the intrinsic merits of various fiscal policies, are apparently legitimate subjects for discussion.

4.

As a revenue collecting and producing system, our tariff appears to have little to recommend it, beyond the fact, that it successfully fools the taxpayer. Politically, that is, of course, a tremendous asset. As far as the individual citizen is concerned it is an unmitigated nuisance. Any small purchase made outside the boundaries of Canada involves a visit to a custom house and the filling out of innumerable forms and complying with other red tape and perhaps in the end the payment of only a trifling amount, frequently much less than the cost of collecting it. This perhaps is a small objection. As to the cost of collection, it can hardly be urged that the present tariff is a shining example of efficiency and economy. In 1915 we collected in customs duties 76 million dollars and spent 3¾ millions in doing it. A direct tax could, of course, have been collected at a much smaller cost, once an efficient service for the purpose was organized.

Is the burden of taxation equally distributed under the present system? It is almost unnecessary to waste time on this phase of the question. It must be abundantly clear to the lowest intellect, that nothing could be more unfair and erratic than the taxation feature of the present tariff. No one knows what any individual pays. When this has been said, practically everything necessary is said. That it is glaringly unjust is, however, self evident. The rich bachelor, unless he buys expensive cigars or wines, pays comparatively little. The father of a large family is necessarily heavily taxed, as his family would generally consume more imported commodities.

But the vilest feature of the whole system is, that the presence of a protective tariff raises the prices of home made commodities, so that a tax is automatically levied whether such commodity is made at home or imported from abroad. The only difference is, that in the case of the domestic product, the tax is paid to the protected industry and not to the Government. Who can make head or tail of this maze of indirect taxation, partly for the benefit of Government and partly for private enterprise? Can it be intelligently considered at all? If not, how can it be justified?

From a standpoint of fair play and equity—and, I take it, that those principles must be fundamental to any efficient taxation scheme—a system of "tariff-for-revenue-only," except when confined strictly to luxuries and perhaps to a few commodities of universal consumption, as it is in Great Britain, is

apparently about as intelligent and just, as would be a policy of levying special taxes on all bald-headed men. Even for such a tax, the wily protectionist would doubtless find a justification. He would probably maintain that the ulterior motive was to promote the luxuriant growth of hair on shiny Canadian domes! He is far more plausible than the dense, stupid "revenue" tariff advocate, with his lame and impotent kindergarten arguments.

5.

It is instructive to see just how far Canada's hybrid tariff promotes the development of her natural resources. As usual, the best evidence is the concrete case. For obvious reasons, I shall mention no names.

A certain large coal mine is capitalized at some millions of dollars. It has a record of failure behind it and has probably never paid a dividend, at least, not during recent years. The shareholders are sick and tired of the investment. Some time ago it was decided to have an expert examination made in order to ascertain what was wrong and whether it could be corrected. The report was to the effect that the machinery and equipment of the mine were antiquated and that no relief could be hoped for, until modern appliances were available so that coal could be brought to the surface at a reduced cost per ton.

This was bad news, as there was very little chance of inducing the shareholders to put further

capital into a venture which had proved so disappointing. However, a competent engineer went to work and made an estimate of the cost involved. It amounted in round figures to somewhat over $250,000. A carefully prepared case was then made and submitted to certain influential shareholders, residing in the United States, in an endeavour to obtain the necessary capital to promote more efficient and economical operations in the mines. After untold trouble, a tentative agreement was reached and the company approached the customs authorities to ascertain what tax Canada was going to impose on the new equipment required. My impression is that it exceeded $30,000. The facts were communicated to the shareholders interested, with the result that they refused to continue negotiations. The mine today is still running on the old, extravagant basis, with obsolete and insufficient machinery and equipment. This is how we promote industry and the development of our resources in Canada by means of a protective tariff.

On every side industry is penalized by prohibitive duties on the very machinery and implements that form the basis of its existence. Whether these duties are levied for "revenue" or not, is immaterial. That the practice is inconsistent and ruinous should be clear to any mind which has grasped the first principles of political economy.

Furthermore, what is the raw material in one industry is the finished article in another. Thus we find most protected industries paying import duties

on their raw materials as well as upon machinery. In some cases, the amounts so paid very nearly absorb the total amount of any protection afforded. We have nursed into life a complicated system, which defies comprehension. Experts only can tell the net amount of protection an industry receives. I know one industry that receives nominal protection amounting to 35% while its net protective margin is less than 10%. What we give with one hand, we take away with the other.

6.

Precisely what are we trying to accomplish through our present protective tariff policy? Was it the expectation of the authors of this legislation, that half a century after its passage the tariff would be higher than ever? Is it the intention that, for all time to come, a privileged class is to be licensed to collect from Canadian consumers up to 45% of the cost elsewhere of articles of every day use, thus keeping the cost of living in Canada permanently on an artificially high level? If so, what is the ultimate goal to which such an extraordinary policy is intended to lead us? If not, what is the time limit, if there is a time or any other limit, and what are we waiting for in the case of some notorious cases of looting the public under the shadow of our protective tariff? These seem very simple questions that honest advocates of this system might fairly be asked to answer categorically. It is scarcely to be supposed that our policy is merely to drift aimlessly on the fiscal sea. There surely must be an objective of some sort. If we could once

ascertain what this objective is, we should be in a much better position to intelligently determine whether or not the price we are now paying for industrial development is worth while.

We are told that our industries would be swept out of existence over night if the present tariff barrier were removed, as they could not compete with those of the United States and Great Britain. It is asserted that if we had a population as great as the former country to cater for, all would be well. We could then specialize as they do there and manufacture at lower costs. That argument looks very reasonable and plausible to those who properly appreciate the tremendous bearing which output has on cost of production and wide markets on economical specialization.

Let us, however, see how it has actually worked out in Canada under the blighting influence of a tariff created trade monopoly. Our boot and shoe industry is one of the greatest in Canada. It has powerful capital and large organization behind it. We have for many years enjoyed absolute free access for boots and shoes to the market of the United States. There is, and has been, nothing whatever to prevent Canadian industry organizing to compete in that market with that of Massachusetts. Yet, the Canadian boot and shoe industry now comes forward and tells us that it has been unable to expand and that it is barely making a living and that, if the present enormous duties upon imports of boots and shoes into this country are removed, the industry will quickly die. We find then, that apparently a wide market does

not lead to success in this industry. When we endeavour to ascertain the nature of the obstacles in the way, we are vaguely and apologetically informed, that Boston is the great leather centre, that large capital is available there for industrial expansion, that the highest trade and executive skill is at the command of industry in the New England States, that, as a matter of fact, it is quite hopeless to enter the field in competition with an industry so favourably located and strongly entrenched.

The inference apparently is, that we must wait until we have a hundred million people in Canada, when we can create our own Boston and our own leather centre. But by that time, they will probably have five hundred million people in the United States and a Boston trade centre ten times as powerful and well organized as it is now. We find then, that as far as this particular industry is concerned we have just been living in a fool's paradise. We have for half a century, stupidly and stolidly, taxed every man, woman and child in Canada a dollar or two upon every pair of boots they have purchased, in the vain hope of building up a great industry in Canada, which it is now clearly shown could not be done. Our boot and shoe trade, candidly admitting the complete and ghastly failure of fifty years of protection to assist it to attain a self supporting basis, now calmly proposes, that this industry shall, presumably for all time to come, be placed in the position of a pensioner upon the Canadian people! Will any responsible political leader become a party to such arrangement?

Strong pressure is being brought to bear by Canadian farmers in favour of the free admission of agricultural implements. To counteract this propaganda, an organization, acting in behalf of Canadian farm implement manufacturers, recently published elaborate statistics to show that a certain standard self-binder, manufactured in Canada, is actually sold at a lower price in the Canadian West than a similar implement, made in the United States, can be purchased for at corresponding points in the westerly part of that country. Some of the prices quoted are, by the way, not quite convincing. To clearly prove that the Canadian product is, as a matter of fact, superior to the American, it is gravely asserted, that in the foreign market, where they compete on an even basis, dealers will readily pay a premium for the Canadian article. This is most reassuring and encouraging information. And yet, this very advertisement is published and paid for presumably with the sole object of convincing the people of Canada, that without a high tariff wall against the United States, our farm implement industry must perish miserably! By their own showing, it is apparently lack of mere salesmanship that prevents the Canadian from beating the American out in this market without any protection whatsoever, seeing that we admittedly have a superior article at a lower price! Perhaps what our implement industry really wants is free admission of raw materials and a fair field. But human nature is so selfish. Any tariff manipulation that will put a ring fence around the home

market and thus create an opportunity to arbitrarily levy higher prices and, at the same time, to decrease selling cost and effort, will, of course, always be welcome. It is a special privilege grudgingly relinquished. We apparently pay a premium on commercial indolence and stagnation in Canada.

The whole tariff controversy is very much before the public at present and the press of Canada is naturally taking sides according to conviction. The time is opportune for constructive deliberation and the reading public eagerly scans the columns of the press for new arguments pro and con. One is struck with the poverty of the protectionist argument. Some influential journals frankly state, that those favouring protection are apparently in the majority and as we have majority rule in Canada, the agrarian point of view cannot at present be given effect. The farmers of Canada are in the majority and by acting together could cause legislation to be passed providing that all taxes should be paid by the other classes; and that the farmers should be entirely relieved of taxation and should, on the contrary, receive a bonus from the public funds. Two or three religious denominations might similarly act together and decree that all taxation should be levied exclusively on the Presbyterians and Baptists. We are, however, largely governed by unwritten laws. We cannot with impunity create privileged classes and make one class of the community hewers of wood and drawers of water for another. The privilege of a majority is to select the rulers. It has, however,

no license to impose unjust laws. The most sacred duty of a majority is to protect scrupulously the rights of the minority. Our ability to do so is the standard by which our civilization is measured.

Another paper laboriously collected statistics of customs receipts west of Lake Superior and by comparing them with the total receipts found that they were so inconsiderable, that the West apparently had no tariff grievance at all, when almost everyone should know, that the bulk of western imports enter through the Ports of Montreal, Toronto and other large trading centres in Eastern Canada and from there are distributed throughout the country.

The soundest argument against drastic tariff reform that has been advanced so far seems to be, that by virtue of the National Policy certain vested rights were created in Canada and much capital invested in industry in good faith and that this capital is entitled to consideration in any fiscal readjustment that may be made. Also, that any violent changes in our tariff law would be followed by serious consequences. These two points cannot be evaded. They are not arguments in favour of the principle of protection, but rather a plea to respect legitimate property rights which cannot be thrust aside. It is a pity that so little trouble has been taken to mould intelligent public opinion on this subject. The western farmer has not been made to understand clearly that the change from one fiscal policy to another must of necessity be made by easy stages and on a well conceived plan.

Common decency and common prudence would dictate such a course. Industries to be deprived, or partly deprived, of protection hitherto accorded them by the law of the land must be given every opportunity to adjust themselves to the new conditions. Whether the policy itself has been right or wrong has nothing whatever to do with this phase of the question. The farmer can be made to see clearly the wisdom of sympathetic aid to Canada's industries during any such transition period. No deserving industry should be seriously damaged.

It seems to me, that the time has come when we are entitled to definite assurances on this important subject from whatever political party that is ready to espouse protection in Canada as a permanent trade or fiscal policy. The old story is out of date. The people are sick and tired of indeterminate policy. We want concrete definition. For instance, how many years does it take for an "infant" industry to mature? We have seen that half a century is too short a period to allow. The "infant" is still in the nursery and is apparently a good example of arrested development. What is the further outlook? So far, nothing has happened to the tariff except increases. Is it possible that our leading men in Canada are so out of touch with public opinion that they can suppose for one instant that such a *laisser faire* attitude will appeal to the electorate for ever? The present tendency seems to be to advocate "moderate" protection. This is merely an evasive attempt to quibble and confuse straight issues. Either the principle of protection

is sound for Canada, in which event we should have neither low nor moderate, but adequate and effective protection, or, it is unsound, and should be abolished as quickly as circumstances allow. I see no room for compromise in such an issue. A corrupt political "saw-off" is no trade policy for Canada during the present crisis.

7.

It has been well said that the tariff is a local question. Just how local, few of us realize. For instance, let us suppose that the City of Toronto is ambitious to make ploughs. It can only be done under a protective tariff. Every farmer throughout the Dominion is then taxed, either for the benefit of the Treasury or directly for the benefit of this industry, according as to whether he imports his plough or buys one made in Toronto. Who is the beneficiary? Traders in Toronto, until competition becomes keener, enjoy increased business by reason of the larger population brought to the city by this plough industry. Real estate there increases in value. Farmers in the vicinity get perhaps a little better price for their products in the Toronto market, than they did before. But what about the farmer in Prince Edward Island or in Alberta? Is he in the very least interested in this Toronto industry? If not, why should he be taxed to maintain it? Unless, indeed, Toronto can show that her citizens are directly contributing towards the welfare of Alberta or P.E.I. farmers. It seems unjust.

It would appear as if some system could be

worked out, in the event of the protective principle being perpetuated in Canada's fiscal policy, of appraising the respective value of industries to individual communities and to the country at large. Some contribution might then be demanded from the city or the county, or both, within which a protected industry is located. If it is worth the while of a Canadian farmer in Nova Scotia to pay a large indirect tax to develop certain industries in Ontario or Quebec cities, it surely is worth the while of the property owners immediately benefited by the location and expansion of such industries, to contribute directly towards their development, just as a western town would do in offering a bonus for the location of an industry. If not, what is the object of the protective tariff? If the population and property owners in and around industrial centres do not benefit, who does? And if they do, why not place a fair share of the burden where it properly belongs? Let us, at least, be consistent.

If it could be clearly shown that a certain industry could be successfully developed in Canada by being assured the home market for a certain period of years, it might be quite feasible, by a system of import licenses, to control imports of the article to be manufactured, also, of course, controlling the domestic selling price of the said article as they aim to do in Australia under their fiscal system. This would be simple and efficient.

There are other methods of assisting industry without the intervention of the protective tariff.

A simple plan would be to bonus an industry until such time as its earnings, on *bona fide* capital only, exceeded a reasonable percentage. We would, at least, know exactly what we were doing and could intelligently control our actions. Under the present system, we merely license private interests to levy toll on the public without supervision. We "farm out" our taxes as they do in China.

It will, of course, be objected that the country would never stand for a plan of direct bonus payments. Why not? Is it because we insist upon being fooled and befuddled? Is the taxpayer of Canada so silly, that he cannot be trusted to know exactly how much he is to pay and what the money is to be used for? The world has decreed that the day of secret diplomacy is over. We want clear daylight let in upon all our public transactions. The argument that the country could not stand the financial strain of direct bonus payment is, of course, utterly absurd. Someone assuredly pays it now and if the industrial development of Canada is a great, national necessity, as we are assured it is, why, in the name of common sense, should taxation in aid of this vital national objective, be levied solely and exclusively on purchasers of ploughs, spades, etc. The tax should in all fairness be equally distributed over the whole population.

Under any fiscal system this country may adopt, no sound argument can be advanced in opposition to absolutely protecting Canadian producers against those of other countries attempting to exploit Canada as a slaughter market. The "dump-

ing clause" in the present tariff legislation is designed to deal with this evil in respect of which Canadian consumers, as a rule, are very superficially informed. That a real grievance exists is beyond all doubt. A producer in the United States, let us say, finds it necessary to manufacture a minimum quantity of goods in order to keep his production costs below a certain figure. His home market will not absorb his entire output and, in order not to demoralize prices in the most valuable outlet for his goods, he adopts the expedient of shipping his unsaleable surplus to a foreign market to be sold at whatever prices he can realize, frequently at figures below actual cost of manufacture. This practice is much more common than the public realizes. Obviously, the Canadian producer cannot compete under such conditions for any length of time and his industry runs the danger of being ruined. Once having destroyed competition, the foreign exporter would, of course, be able to exact his regular prices in our market. The advantage of low prices to the consumer is, therefore, only temporary. It is also conceivable, that a "dumping" policy might systematically be resorted to in order to oust a competing industry from a convenient foreign market such as Canada. Canadian consumers cannot fairly object to paying a living price for manufactured products and enlightened public opinion would doubtless support any Government in providing drastic legislation authorizing the absolute confiscation of shipments into Canada of goods invoiced at prices below the

current selling values in the country where such goods originated. Canadian industries are absolutely entitled to a fair field in our own country, which by no means implies detriment to others. The principle involved in the restrictions suggested, is entirely different from that underlying the imposition of a prohibitory import duty.

8.

In discussing the fiscal problems facing Canada, no good purpose is served in playing with words and phrases. It is essentially a case for the plainest possible terminology. At the very outset, let us clearly realize, that the real problem facing Canada lies in reconciling the diametrically opposed views and interests of two great geographical sections, divided for all time to come by an enormous unproductive waste. These two sections have little in common, commercially, and are held together by sentiment only: a link which, in view of the rapid settlement of the Western portion by people who have no knowledge of, or natural sentimental interest in, the Eastern section, is bound to become weaker year by year.

It is a significant fact that, in that part of Canada lying West of Lake Superior, only 34% of the population is of Canadian origin. Approximately 29% came from Great Britain and 37% hail from the United States and foreign countries. There lies the problem. The settler from Kansas or Idaho neither knows nor cares any more about Hamilton or Toronto than the Torontonian does about Lin-

coln and Leavenworth. They are merely terms, more or less familiar in school days and frequently not even that. To ask him to contribute to and wax enthusiastic over the industrial development of these cities, is absurd. This is the situation. It is a somewhat unpleasant situation. But nothing is gained by ignoring it as our public men are fond of doing.

To further complicate matters, the uncomfortable fact stares one in the face, that while the West can do much for the East in the way of supplying markets for industrial products, the East, having its own agriculture, can do practically nothing in return for the West, which is on an export basis. It is, therefore, an almost wholly one-sided situation, as far as any suggestion of compromise on the tariff is concerned. This fact should also be carefully pondered.

Now, a word on the most pernicious feature of the whole controversy, namely, the seeming utter inability of the East to recognize the situation. The writer, though essentially a Westerner, is bound by every sentimental tie to Eastern Canada. His sole desire is to present the problem as fairly and impartially as this sentimental leaning will permit him, believing, that unless the situation is recognized before the West is politically powerful enough to impose its views on the rest of Canada, the breach will be wide and serious, and the ultimate end will be fierce sectional warfare. Nothing could be more deplorable than such an eventuality. When the tariff question is discussed by Eastern

public men, their attitude almost invariably is, that the West must sink its selfish desires and make some sacrifices in the common cause and thus repay the East for all it has done for the West. I know of no more tactless and irritating argument.

9.

Let us clear the air and be precise. What sacrifices has the East made for the West? I know of none. If the Canadian Pacific and other railways were built as philanthropic enterprises and generous gifts from the East to the West, as many Easterners fondly imagine, the record of the discussions in Parliament at the time bear no evidence of any such benevolent intention. These enterprises were given public aid to open up the West and give it transportation for its products to tidewater and thus provide markets for Eastern manufactured products and to comply with the agreement under which British Columbia entered Confederation. Besides, the Canadian Pacific was not built by Eastern Canada. It was chiefly financed by a huge grant of the most desirable lands of the West. As to the other lines of railway, the less said the better from that standpoint. They are dealt with elsewhere. Furthermore, at the time autonomy was granted the Western Provinces, there was a very careful accounting of every penny Canada had ever spent on the West, which was all considered in the financial settlements. We can, therefore, safely call the account square.

How much of a factor has Eastern Canada been

in the colonization of the West? As has been shown, not as much as Great Britain and the United States have been, although it has done its best. More Eastern people have probably emigrated to the United States than to Western Canada. Then we have the argument, that Eastern capital has financed and built up the West. The chartered bank system of Canada has unquestionably been a drawback rather than an aid to Western agricultural development. Did these banks open up in the West with the sole object of playing the role of guide, friend and philosopher to the unsophisticated granger? Their 9% loans and 12% dividends and bonuses sufficiently answer the question. And loan companies—to what extent were they influenced by public spirit and to what extent by nine per cent. interest rates? And how many of these self-sacrificing pillars for Western agriculture would lend a dollar on Western farms prior to the year 1900? They did not come in until the West had demonstrated its ability to pay interest and furnish reliable security for principal, a time long after United States and British capital had invested largely in our mortgage securities, with their high interest yield.

The metalliferous mining development of the West was financed almost entirely by British and United States capital; the coal mines largely by Eastern Canada. Our lumbering enterprises were almost wholly indebted to Great Britain for their capital, and most of our industrial concerns were financed locally. Eastern wholesalers have, of

course, opened branches to extend their trade and many misguided Easterners have speculated in Western lands, sometimes unsuccessfully. This is the whole story.

At any rate, one cannot create sentimental obligations out of ordinary, cold-blooded business transactions. Eastern capital has gone West, and will continue to be invested there, just as long as that country can pay a higher rate of interest and give as sound security as competing fields. This is, and very properly, the investor's point of view.

I must repeat, that I have, personally, nothing but the kindliest feelings towards Eastern Canada, but I conceive it to be my duty to sound the note of warning, and counsel our public men to drop all this pernicious cant, and face cold facts. From a point of view of sound public administration, no section of a community has any right to expect economic sacrifices from another merely on a plea of sentiment, except during periods of grave national crises, such as the recent war. On this occasion the West did, at least, its full duty.

Let us at once honestly admit, that the West owes the East nothing that can be calculated in dollars and cents. During many weary years, the West has submitted to a severe fiscal handicap, for which the East could not give an adequate *quid pro quo*. By these sacrifices the West has contributed to the building up of great industries and financial institutions east of Lake Superior, with the incidental creation of a better market for the Eastern farmer and of high land values in Eastern cities.

It is scarcely worth while to answer the silly argument, that if the West will loyally assist the East to build up its industries, some day there will be markets available there for Western agricultural produce. In the first place, Eastern Canada has a sufficient area of agricultural lands to amply take care of any farm produce, outside of wheat, that might be required in her own territory through any industrial expansion that is likely to occur. And to the West, of course, it is immaterial whether she sells her wheat in Toronto or in Liverpool, as the world price is fixed in the latter market. Secondly, if the West, with its enormous agricultural areas, had to depend upon such a restricted market, its future would be desperate indeed. Canada is so overwhelmingly agricultural, that local markets for the leading products of our farms will always be a forlorn hope.

10.

Those who have lost faith in the protectionist argument may, I presume, just as well become reconciled to the idea, that the present generation will scarcely live to see the day when Canada will dispense with consumption taxes of sorts. The best that may be hoped for is, that such taxes will be levied with proper discrimination. A distinguished ex-Finance Minister, who should know better, recently stated, on the floor of the House, that he was unalterably opposed to dealing with the tariff through a commission. He held that this responsibility rested on the Finance Minister. He

is, of course, technically, entirely wrong. Fiscal responsibility rests, first, on the Cabinet of the day, and secondly, on Parliament for giving legislative effect to the budget. This, however, is mere sophistry—political camouflage.

What he really pleads for is inefficient administration or corruption, or both. This stickler for individual ministerial responsibility evidently wants the tariff to remain as the principal issue in party politics, so that both sides may continue to befog and bedevil the voter with glittering generalities and high sounding phrases, while the protected interests are quietly pulling the strings behind the scenes. He virtually pleads for free opportunity on the part of the "machine" of politely blackmailing the industries of Canada for campaign funds, in return for which the grateful party in power may confer upon them the privilege of looting the consumer—that is, the voter. He pleads, in fact, for the *status quo*—the good, old, rotten system that has been tried and found wanting. He is almost precisely five years behind the times. He really should wake up!

I cannot resist the temptation to "tell tales." This one has a point to it. Some years ago I appeared officially before this same gentleman's amateur "ministerial" tariff commission in behalf of the Territorial Sheep Breeders' Association. We urged the removal of the duty on coyote proof woven wire fencing so as to encourage the small flock in the West. I argued that Canada's sheep industry was vanishing and, incidentally, pointed

out, that the tariff as regards raw wool was, and always had been, (and is today), dishonestly administered. Not a dollar had ever been collected by the Government of Canada on importations running into hundreds of millions of pounds of raw wool, although the tariff distinctly contemplated, that only wools of a character *not grown in Canada* shall be free. I showed that *practically every recognized class of wool was then grown in Canada* and had been for a long time. But the wool schedules had not been revised for forty years, while history was written in sheep breeding and woollen manufacturing in this country!

Having clearly demonstrated, by speech and in writing, the screaming absurdity of the present antiquated, meaningless wool schedules and also, that even the plain letter of the existing law was being flagrantly violated, did our ex-Finance Minister and his colleagues rush frantically back to Ottawa to set this matter right? Not at all. The farmers of Canada have learned, that whenever the interest of agriculture clashes with that of protected industry, the result is a foregone conclusion. The situation, of course, remained exactly as it was and—still remains. And this honourable gentleman now calmly tells us, that we don't want a tariff commission!

One is willing to make every reasonable allowance for sheer ignorance. Neither the ex-Finance Minister nor his colleagues probably knew an Oxford Down sheep from a barn door. But the suspicion lurks away back in my mind, that they

were vastly more concerned about easy money for the manufacturer and avoiding uncomfortable complications with these importunate individuals by the simple and effective expedient of continuing to connive at the violation of both the plain letter and plain spirit of the law, than they were about promoting the sheep industry of Canada. Needless to add, the duty was not removed from our wire fencing.

Talking about sheep, now I come to think of it, perhaps this notoriously passive attitude of the State towards agriculture is the reason why, while Australia has 58 sheep per hundred acre farm; Great Britain, 52; Italy, 21; Argentina, 15. France, 13. Holland, 12. Canada has—I am really ashamed to record it—actually two (2) whole sheep for each farm of one hundred acres! And, I may add, that with the exception of New Zealand and possibly Tasmania, there is no country under the sun possessing greater natural advantages for sheep farming than Canada.

The fact is, that our tariff has been framed and generally administered by statesmen whose vision has been strictly limited by Montreal on the east and Toronto on the west. If we are to have a tariff in Canada we simply *must have a tariff commission.* Two things should be absolutely removed from our tariff legislation, namely, politics, and its attending evil, corruption. Such a body would necessarily report its findings to the Finance Minister, who is responsible for procuring revenue, and whose duty it would be to give effect to its

recommendations as fast as circumstances permitted. It would also act as a bulwark between the Government and industry. Its reports should, however, be submitted to Parliament for its information. The principle should be clearly laid down, that the business transactions of any industry, subsidized by the consumers of Canada, cannot be considered confidential. We must have clear daylight on our tariff beneficiaries.

At any rate, whatever vestige of the old tariff ultimately remains in force, it must be administered on a business basis, and protected industries must be given to understand, that they must make good within a reasonable period of years or they had better direct their activities into other channels. Canada cannot afford to carry industrial pensioners on her pay list for any unlimited period. Protection must be based solely on the ascertained necessity of any industry which apparently has a reasonable chance to succeed under our conditions. Paying four dollars for two-dollar woollen garments in a cold country, will, as a permanent proposition, appeal to no considerable section of the community.

11.

Those who have followed my reflections up to this point, will doubtless conclude that the situation is somewhat desperate; that the attitude of the West, on the subject of tariff, is uncompromising to the extent that nothing short of a complete reversal of Canada's present fiscal policy would

prove satisfactory. This at once brings us face to face with the uncomfortable fact, that such a departure in public policy would probably be resisted by the East—that is, by the majority—which, of course, would place it entirely beyond the scope of practical politics. In other words, we have an almost exact replica of the present Irish situation—and yet, even that will be solved. While it is true, that in our tariff issue, there is no "common ground," there is such a thing as minimum demands and maximum concessions. That is the side of the controversy that must be studied and developed.

The Western farmer suffers under precisely the same disabilities as other large groups of voters. He is just as easily victimized and led astray by the demagogue and rabid partisan politician. In the past, there has been no choice between the great parties on the tariff issue. Hence, he has now thrown them both overboard and has constructed a platform of his own. This is what he officially asks in the way of tariff reform:

1. That the customs duty on goods imported from Great Britain be reduced to one half the rates charged under the general tariff and that further gradual, uniform reductions be made in the remaining tariff on British imports that will ensure complete free trade between Great Britain and Canada in five years.

2. That the Reciprocity Agreement of 1911, which still remains on the United States' statute books, be accepted by the parliament of Canada.

3. That all food stuff not included in the Reciprocity Agreement be placed on the free list.

4. That agricultural implements, farm machinery, vehicles, fertilizers, coal, lumber, cement, illuminating fuel and lubricating oils be placed on the free list.

5. That the customs tariff on all the necessaries of life be materially reduced.

6. That all tariff concessions granted to other countries be immediately extended to Great Britain.

Let us examine this platform and see what it means in plain English and what it stands for, in the eyes of the average Western farmer. Points 1 and 6 are largely sentimental. All patriotic citizens would hail with satisfaction any such development. Point 2 is of overwhelming importance. Point 3 is desirable, but not absolutely essential. Point 4, he is in deadly earnest about. Point 5 is in the same class as 3. That is the story. In the final analysis we find two planks in the farmers' tariff manifesto, 2 and 4, that will probably represent the minimum demands on the subject on the part of the average, thinking prairie farmer.

These two demands can be met, and should be met, not only because a large section of Canada's producers mean to fight for them, but chiefly because it is essential to our general prosperity, that effect should be given to them. I shall be told, that in a previous general election Canada, by a large majority, rejected the reciprocity proposals. That

is true. But Canada would not do so to-day. No public man, with his ear to the ground, will deny that assertion.

In Chapter Sixteen I am dealing more at length with the question of markets for the farmer's products and I merely desire to state here, that, leaving aside the duty on the commodities included in Par. 4 of the Manifesto quoted above, the farmer is vastly more interested in permanent access to the United States' markets than in immediate relief from the effects of the present consumption taxes on food, clothing, furniture, etc., however irksome they may be. These taxes could not, by any stretch of imagination, be magnified into an item of such importance, that it could have a seriously detrimental effect on his business operations. The two issues have always been linked together and considered together, notwithstanding the fact that they are only remotely related to each other.

I have now stated what I deem to be the minimum demands of the farmer. They do not look so formidable. He now enjoys access to the markets of the United States for his principal products, but the arrangement hangs on a very slender thread. If severed, farming in Canada, at least as far as the West is concerned, at once becomes a precarious undertaking. The issue of reciprocity is not one necessarily to be dealt with immediately. The other issue cannot be postponed. But constructive proposals, involving gradual relief and indicative of good faith, might meet the present situation and would instil confidence in the desire of the

Government to fully meet the farmer's reasonable demands, as soon as the general financial situation of the country permitted of the complete realization of his representations. The farmer is essentially a practical man and will comprehend practical obstacles to his platform, if properly explained. But all our public men are silent on their tariff attitude—oh, so very silent! Consequently, we have no enlightened public opinion. Get the tariff out of politics, so that we can discuss the problem freely and with all "the cards on the table." That will clear the air and bring us together on an all-Canadian platform. That is where this controversy belongs.

CHAPTER TEN

THE LOOTING OF CANADA

1.

AS has been shown in the previous chapter, various avenues of protection and aid have been provided for struggling industries in Canada. The levying of import duties prevents the marketing of imported articles in Canada, except at a premium proportionately equal to the amount of protection and theoretically sufficient to permit the home manufacturers of such articles to reap a satisfactory profit. Then there is our much abused bonusing system under which Canada is said to have paid out more money than those fortunate industries have ever paid in wages. But in the financing of most of the large industrial concerns, further protection was accorded, inasmuch as they were permitted to load their capitalization with "water," and thus, in many cases, make twice or three times the profit that the suffering consumer would otherwise have tamely submitted to. It will be observed, that there is more than one way of protecting industry.

The method of inflating capital is, of course, familiar to almost everyone. A number of industrial concerns are consolidated into one, and in buying them out fictitious valuations are agreed upon for goodwill, formulae, real estate or leases.

Or, a new Company is formed to buy out an existing one on the same inflated basis, paying for tangible assets in bonds or preference stock and issuing common stock for goodwill. Or, large blocks of common stock are taken by the promoters in payment for services. The general principle is that unless the business makes a success and profits on its common stock, the latter has no special value. This, however, it seldom fails to do, in course of time. The general effect is, that while the common stock is almost intrinsically worthless, inasmuch as it represents no realizable asset or even only fictitious assets, the inordinate profits on the actual capital, upon which fixed dividend or interest is paid, soon leave a surplus for the common stock, which begins to rise in value and frequently reaches par. In time accumulated earnings may give it an actual intrinsic value, which has, of course, been entirely contributed by the public.

A protected industry earning six per cent. on its actual investment, would cause no particular comment. If, however, the earnings were twelve or eighteen per cent., consumers would demand an explanation. But by the injection of a judicious amount of "water," such a situation is effectually hidden from view, while, quite incidentally, one or two get-rich-quick promoters graduate into the millionaire class. The evil in question is fully recognized and admitted by our public men when out of office. It makes capital campaign talk. With office attained, however, they apparently discover insuperable obstacles to any sort of effective

control of the capitalization of industry. In other words our supermen have feet of clay. In this Canada of ours we attempt, and not unsuccessfully, to make our citizens walk the narrow path. The criminal law deals with the thief and the murderer. We even punish the merchant if he cannot substantiate the truth of his advertisements. We fine the careless one for expectorating on the sidewalk or for having weeds growing in his backyard, or chickens running at large. But when we contemplate the proper control of high finance, to prevent millions from being filched from the pockets of Canadian consumers and small investors, we confess that we are up against a veritable stone wall. It simply cannot be done. The stealing of pennies we can punish; the stealing of millions must remain "within the law"! A grateful country even confers titles on the most outstanding exponents of this gentle art.

2.

We have on our statutes a Companies' Act; a formidable document, about the size of a small novel. It contains the most minute directions as to how incorporated companies shall be formed and their business conducted. Woe be unto the transgressor, if only five days notice is given for a meeting where six is clearly prescribed! One step in advance would be a little section calling for a sworn statement from incorporated companies, and those ambitious to become incorporated, showing separately the actual value of all tangible assets

under prescribed headings, and the estimated value of intangible assets with supporting evidence as to the value of the estimate, in the form of an auditor's formal certificate. Heavy punishment should also be provided for failing to show this information and for showing it in any misleading way in published statements and prospectuses. This would not completely solve the difficulty, but it would, in many cases, defeat the intentions of swindlers by giving fair notice to the public.

We should also absolutely prohibit the issue of common stock as a bonus to purchasers of bonds or preferred stock. Offers of this sort appear almost daily in the advertizing columns of the press. What justification is there for such pernicious practices? To insist upon all common stock being sold at par and fully paid for would appear to be no more than ordinary honest business. As long as such transactions bear the seal of official authority, it will be impossible to control adequately the capitalization of business and industry. The door is left wide open for dishonest manipulations, overcapitalization and all the other evils from which we are now suffering. If any concern cannot procure its capital by legitimate methods and finds it necessary to resort to shady practises of this character, the country would be better off without it. Special authority to sell stock below par could, if necessary, readily be issued in the case of mining companies and other enterprises of a highly speculative nature, upon proper representations being made by the promoters and after competent investigation by the Government.

It does not seem to be unreasonable for the State to insist upon ordinary honesty in connection with the flotation and management of incorporated companies. The Provincial Governments of Canada have, as a rule, made good progress in this direction, but they only deal with the "small fry." The duty rests upon the Dominion authorities to provide such legislation as will prevent the wholesale "watering" of stock issues. Under the new order of things the public will stand for nothing less. We must have Federal "Blue Sky" legislation and honest financing.

3.

Who are the capitalists? It is customary at farmers' meetings and in the sensational press to refer to capitalists as the "interests." It is the popular conception, that the ownership of capital is vested in certain pot-bellied gentlemen whose sole occupation in life is to clip coupons, oppress the poor and corrupt our legislatures. This is scarcely a fair definition.

A glance at the list of shareholders of our railways, banks, and large industrial concerns in Canada hardly confirms any such idea. We find generally that the majority of stockholders are men in very modest circumstances, widows, dependents and a fair sprinkling of well-to-do people. The latter may, and often do, hold the majority of the stock, but not by any means in all cases.

All sorts of drastic proposals were made to "confiscate" wealth. It was a favourite term during the

war period. It is well, however, to realise, that a very large proportion of the capital invested in Canadian enterprise is composed of the savings of quite plain, ordinary people, who could not, by any stretch of imagination, be included under the general heading of capitalists or "interests."

This is a difficulty that the reformer encounters when he considers the question of squeezing the water out of corporations doing business on inflated capital. Generally these small blocks of shares have been purchased at prevailing market prices and represent *bona fide* investments which cannot be "confiscated" or cancelled with impunity.

The only remedy therefore, that can be applied against the recognised evil of "watering" stock issues, is to regulate future issues of existing corporations and to exercise eternal vigilance in connection with the formation of new ones. The evil is done and cannot be undone, but the public is entitled to ample protection in the future. The flotation of war loans in Canada has created an enormous number of investors and they will be regarded as the legitimate prey of promoters. They must be amply protected, so far as the State can protect them.

4.

I submit here a statement showing detailed information regarding a number of the larger industrial enterprises of Canada. I have marked opposite each the amount of protection these lusty

"infants" enjoy. I have been so anxious to avoid any semblance of unfairness, that I have not included in the amount of the protective tariff the extra war-tax of approximately seven per cent. Thus, an industry enjoying 35% protection, was during the later years of the war, and is now, generally on a basis of 42% protection! It is important to bear in mind, that I deal with the common stock only. These corporations have, in nearly all cases, bond issues and preferred stock issues in addition to the common stock, amounting to many millions of dollars. I have deducted from their net earnings the amounts required to pay interest on any bond and preferred stock issues. What is shown as earnings in this statement only covers the amount available for distribution amongst the holders of the common stock.

It is also well to remember, as has been pointed out previously, that in most cases, the bulk of the common stock, in some cases practically all of it, merely represents allotments to promoters and bonus allowances to purchasers of the company's preferred stock or bonds. It is therefore in many cases clear loot, upon which the consumer has to provide dividends.

Statement showing earnings of common stock, after deducting dividends on preferred issues, of some industrial enterprises in Canada.

Name of Company	Common Stock Outstanding 000's omitted	Average Net Income Applicable to Stock for last 5 years %	Percentage Earned on Stock in Last Fiscal Year %	Percentage of same on Market Price of Stock on 1st March, 1919 %	Manufacture	Protection by Customs Tari
Can. Car and Fdry. Co.....	4,963	9.9	17.9	53.0	Steel Axles, etc	35%
Canada Cement Co	13,500	5.6	9.6	14.3	Cement.....	10c. per 100 l
Canadian Cottons, Ltd	2,715	10.59	18.31	27.0	Cotton Fabrics.....	25% to 32½%
Canadian General Electric.....	8,000	11.1	12.4	12.1	Electric Apparatus	27½%
Canadian Locomotive Co.....	2,000	15.3	24.1	37.7	Locomotives.....	35%
Dom. Bridge Co.....	6,500	20.7	18.2	14.4	Structural Steel.....	35%
Dom. Canners, Ltd.....	2,794	9.3	19.0	44.2	Canned Fruits	2½c. per lb.
Dom. Steel Co.....	37,097	10.9	20.5	33.0	Steel Rails	$7 per ton
Dominion Textile Co.....	5,000	13.0	21.9	22.8	Cotton Fabrics	25% to 32½%
Laurentide Co.....	9,600	12.2	17.7	9.8	Pulp and Paper.....	25%
Lake of the Woods Milling Co...	2,100	19.5	33.3	22.2	Wheat Flour.....	Free
Maple Leaf Milling Co.....	2,500	17.4	29.3	23.4	Wheat Flour.....	Free
Nova Scotia Steel and Coal.....	15,000	15.1	8.4	12.7	Rolled Bar Iron or Steel.	$7 per ton
Ogilvie Flour Mills Co.....	2,500	42.9	72.6	38.2	Wheat Flour.....	Free
Penmans, Ltd.....	2,150	22.3	35.3	44.1	Underwear	35%
Price Bros. & Co.....	5,000	11.0	18.5	13.2	Pulp.....	25%
Riordon Pulp & Paper Co.....	4,500	10.7	21.4	18.3	Pulp and Paper.....	25%
Sherwin-Williams Co. of Can....	4,000	8.6	12.8	21.3	Paints	30%
Steel Co. of Canada.....	11,500	16.1	32.0	44.4	Forgings of Iron or Steel.	30%
Woods Manufacturing Co., Ltd..	1,718	13.4	25 2	30.0	Jute Bags, etc	20%

CHAPTER ELEVEN

SCIENTIFIC AND COMMERCIAL RESEARCH

1.

THE amount of good human material going to waste at the nation's capital is saddening to contemplate. Canada is a new country with vast natural resources, which, alas, are not always located in available places. For instance, while we have both coal and iron deposits in abundance, they cannot be developed conjointly, for various reasons. One cannot imagine any situation that would indicate more clearly the vital necessity of a national policy, having for its purpose the closest co-operation of all available forces towards solving the numerous problems involved in making the most out of our natural resources, and overcoming, where possible, the handicaps that nature has placed in the way of this very desirable object.

Canada has in her public services at Ottawa, all the human material necessary to promote a vigorous development policy of this kind. But it is scattered, ineffectively organized and in many instances, thoroughly discouraged and demoralised. We have first an "Honorary Advisory Council for Scientific and Industrial Research." The very name would damn it forever. This body undertakes industrial investigation and is building up a

technical staff. Its administration is at present under the control of a most able and highly qualified chairman. Then we have the "Conservation Commission," also undertaking somewhat similar work and also surrounded with a technical staff. We have the Dominion Department of Mines conducting investigation within its own field, which, of course, pretty nearly covers everything there is to be done. That also has a large and highly qualified staff. In addition to this, in the Province of British Columbia, and in each of the Eastern Provines, a Mining Department is maintained. In the Department of Forestry, the Conservation Commission is very active and is well equipped for useful work. The Department of the Interior, however, administers Canada's forests, except where natural resources are under Provincial Control, in which cases local departments are maintained. This department also promotes tree planting in Western Canada most efficiently. Our fisheries are very ably looked after by one Department in Ottawa, with occasional duplication by the Conservation Commission. Each one of these Departments and Branches publishes in blue books or in pamphlets, formidable reports on its technical work and investigation, which, of course, are hardly ever read by anyone. If one wanted everything that had been published to date on any given subject, he would probably have to get into communication with three or more different sources. There is absolutely no general clearing house for technical information, and there is a vast amount of useful

information going to waste, simply because there is no effort made to co-ordinate it for useful purposes.

These are some of the conditions that handicapped the Allies in the early stages of the Great War. Unless Canada's future industrial expansion is to be endangered we must enlist the services of our outstanding men; we must no longer waste official energy, or any other good material available, for which the country pays.

Great Britain's known coal deposits amount to 189 billion tons. Canada possesses twelve hundred billion tons of coal, which means three quarters of all the coal deposits in the whole of the British Empire, and one twelfth of the known coal deposits of the world. These deposits are not by any means inaccessible. They are in fact in almost all cases located near railway lines, and, in some instances, on tidewater. During 1917 we used in Canada nearly 35 million tons of coal. And we mined in Canada 14 million tons, out of which we exported 1¾ million tons. We imported from the United States 22½ million tons or approximately two-thirds of all the coal we used! This looks queer. I mention it only to impress upon the reader the fact, that to make laborious analyses of our coal does not solve our problem, which is entirely one of markets for our products. It is primarily commercial investigation and exploitation Canada needs, with such technical and scientific assistance as each problem may call for.

2.

I realize that it is rank heresy to critize the work of scientific men. But I am not going to criticize their scientific work. I am going to confine my remarks to the business aspect of the case. A business Government would call a joint meeting of all those now engaged on technical research work and ask for report and suggestions. Further, let some specially qualified business man be appointed to investigate the scope of each department or branch affected; let him report his finding to a select committee of the Privy Council, and so co-operate in bringing order out of the present chaos by the creation of some central supreme body or by constituting one of the existing organizations, such as the Honorary Advisory Council, the central clearing house with the necessary authority to discontinue aimless scientific investigation and to focus the effort of Canada's scientific staffs upon practical and useful objectives. Such method, organized along rational lines to get results, would co-ordinate existing effort, abolish duplication and inform the public.

While on this subject, it is appropriate to offer a few remarks touching a very common fallacy entertained by Governments, namely, that technically-qualified men are able to advise intelligently on matters of pure business. They have their proper field and so has the business man. There should be the clearest distinction made, however. On such a board as referred to above, the clear headed busi-

ness executive should find a prominent place. Immediately on organization, it would compile a list of the most highly qualified technical experts in Canada in private employ. It would then circularise these men, stating the objects of the organization and inviting their patriotic co-operation. This would doubtless be enthusiastically and spontaneously forthcoming. It should be realised, that however skilled may be the technical men employed permanently by the Government or engaged in research work in connection with our various universities, they cannot possibly hope to speak authoritatively on every subject and every phase of scientific research. Besides, they are too far removed from the field where practical results only will count, and where new avenues of investigation are daily opening up. Consequently, they do not always know the last word on any subject. It would, therefore, naturally suggest itself to a business man, that instead of maintaining large expensive technical staffs at headquarters, it would be much more economical, and certainly much more effective, to arrange temporarily to utilize specialist talent in connection with specific lines of investigation.

But it is not alone in the field of scientific research that new ground should be broken. Good work could be done through governmental channels in a dozen other directions. We need some trade body with proper machinery, to give the helping hand in the marketing of our products and in the discovery of new markets. Generally speak-

ing, the cost of selling is getting larger daily. Between the cost of manufacture and the retail price to the consumer, there is a figure so large that it is fairly staggering. Our commercial system is becoming more and more complicated, topheavy and expensive; the cost of distribution is now, in most cases, the main factor in the price of commodities.

Our statistical system, as far as it deals with interprovincial trade, could with advantage be greatly augmented. The volume and value of internal trade are unknown factors in Canada. In connection with our export trade, we have much to learn from our recent foe in Europe. Germany's system of commercial intelligence and financial accommodation gave results which it would be worth our while to study. The development of our municipal markets is another subject worthy of consideration. Much has been done in Europe in this direction, and the example might well be followed in Canada. This would tend to bring the smaller producers and consumers closer together, with the elimination of distribution cost. Standardization of products, particularly for the export markets, would bear fruit, and promote Canadian industry. All these tasks require leadership, which can best be furnished by the Government.

CHAPTER TWELVE

A NATIONAL TRIAL BALANCE

1.

IT will be instructive to make a brief survey of the financial standing, and past financial record, of this enterprise called the Dominion of Canada. I shall deal with the head office first. The sub-offices, called the Provinces, and the country branches called the Municipalities, will also be lightly touched upon.

Canada started business in 1867 with a gross debt of 93 million dollars and an interest liability of 4½ millions. I shall not deduct the assets, as outside the sinking fund, they are not in liquid form and are not realizable. No one wants to buy a Post Office or a bridge, even if we were able to sell it. At that period Canada's total income from taxation was about 11½ million dollars. I deal in round numbers, as too much detail is confusing and quite unnecessary for our purpose. Twenty years after, our debt had increased to 273 millions, interest liability 9½ millions, and revenue 28½ millions. In 1908, forty-one years after Confederation, our debt was 408 million dollars, interest liability 11 millions, and our taxation revenue 73⅓ millions. In 1914 the war broke out. Our debt increased to 544⅓ millions, interest engagements 12¾ millions and revenue from taxes 127½ mil-

lions. We ended the war with approximately 1,200 millions of gross public debt, interest engagements of about 26 millions per annum, and annual revenue from taxation of somewhere near 176 million dollars. Our reconstruction programme will doubtless lead to increased liability.

Dealing now more particularly with the question of public debt, it is interesting to take a glimpse of the position of the various provinces in this respect up to the end of their last fiscal years:—

Prince Edward Island	$11,154,000
Nova Scotia	13,910,000
New Brunswick	17,827,000
Quebec	38,449,000
Ontario	61,795,000
Manitoba	38,506,000
Saskatchewan	26,797,000
Alberta	30,595,000
British Columbia	35,673,000
Total	$264,706,000

These figures are not absolutely correct. I defy the most expert auditor to dig out the exact figures. Each province has a beautiful system of accounts of its own, generally designed to hide the facts and confuse the public. And to show just how much progress we have made in Canada towards co-ordination in public finance, I might mention, that the fiscal year of British Columbia ends on March 31st, that of Saskatchewan on April 30th, that of Quebec on June 30th, that of Nova Scotia on September 30th, that of Ontario and New Brunswick on October 31st, that of Manitoba, November 30th, and that of Prince Edward Island and Alberta on December 31st. It will thus be clear,

that every facility exists to enable the inquisitive statistician to make instructive comparison!

But when we enter the field of municipal indebtedness, we behold chaos in its most typical form. It should be some concern of Canada, and Canada's creditors, to know the total liabilities of our municipalities. There is, however, no individual in the whole, wide world who knows that. If a business concern kept track of its gross liabilities in this way, the courts would be called upon to interfere. However, I am going to make a guess based on certain known factors. We have records available from 62 cities and towns in Canada, showing the total indebtedness to be 456 million dollars. The total population of these centres is, I find, 2,598,000. This makes the indebtedness per head $210.17. As these cities and towns are so located as to be fairly representative of the whole, we shall not be very far wrong in applying the latter figure as the key to the whole situation. Therefore, the total population in Canada residing in urban communities of over 500 inhabitants being 3,281,000, the total municipal indebtedness of Canada, based on $210.17 per head, would be 689½ million dollars. It will be noticed, that this amount comes next in importance to our present Federal indebtedness, and, outside our obligations due strictly to unforeseen expenditure for purposes of war, is the most considerable item in Canada's total liability.

To sum up, we find our public indebtedness, half of which is probably held internally, distributed as follows:—

Head Office	1,200 millions
Sub Offices	264½ "
Country Branches	689½ "
Total	2,154 millions

What does that mean? We have in Canada 1½ million families. Each family is apparently responsible for the sum of $1,436 of public liabilities in addition to its private liabilities, including the mortgage on the old homestead. Of course, the sheriff is not coming in tomorrow to collect this amount under distress warrant, the creditors being kind, good people who will wait—as long as you pay your interest fairly promptly. But with the stress of the reconstruction period ahead, it will do no harm, when you make up your list of liabilities, to add the sum of $1,436 just to get used to the idea, that you must pay interest on this with the same regularity as you pay your life insurance premium or the instalments on your cheerful little home. This is the first lesson that the New Canada has to learn.

In discussing the liabilities of Canada, we have hitherto dealt exclusively with public liabilities, that is, those owed by the State, including the provinces and municipalities, which must be carried and repaid by taxation. These are partly owed to our own citizens and partly to residents and institutions in other countries.

It is of interest in this connection to give a bird's eye view of Canada's external liabilities, public and private. Fred. M. Field and the "Monetary

Times" give the following information on the subject:

British Capital Invested in Canada.

20 Branch Plants, average capital, $300,000.	$6,000,000
Canadian Bank Shares held by Industrial Purchasers	2,000,000
Investments with Loan & Mortgage Companies	12,000,000
British Insurance Companies' Assets in Canada	30,000,000
Municipals sold Privately	15,000,000
Industrial Investments	29,000,000
Mining Investments	59,000,000
Land and Timber Purchases	40,000,000
Town and City Purchases	25,000,000
Canadian Flotations, 1905-1913	1,660,900,000
Total	$1,878,900,000

United States Capital Invested in Canada.

500 Branch Firms (average investment $300,000)	$150,000,000
Government, Municipal and Corporation Bonds (1905-1913)	123,743,000
Government, Municipal and Corporation Bonds (1914-1917)	590,506,000
Insurance Company Investments	94,276,000
British Columbia Mills and Timber	75,000,000
British Columbia Mines	62,000,000
British Columbia Land Transactions	60,000,000
Prairie Province Land Transactions	41,000,000
City and Town Properties	20,000,000
Maritime Province Investments	13,125,000
Industrial Investments (Miscellaneous)	12,200,000
Prairie Province Timber and Mines	10,500,000
Agricultural Implement Firms	9,250,000
Packing Plants	6,750,000
Theatrical Enterprises	3,500,000
Prince Edward Island (Fox Farms)	1,000,000
Total	$1,272,850,000

The British figures here quoted do not go beyond 1913. It is, however, estimated that Canadian flotations in London up to 1918 have amounted to $937,-864,000. This would make a total of $2,816,764,-000. Adding this amount to our liabilities to the United States, we find Canada's total estimated external capital liability to be about 4,089 million dollars, as far as these two countries are concerned. Other countries have investments in Canada, notably France and Holland. If we estimate our total capital liabilities at somewhere below five billions, we shall probably not be far wrong. This is not, of course, a floating liability. It is invested capital upon which, however, we are expected to pay either interest or dividends.

Those who are enthusiastic about public ownership should study these figures. There is ample food for reflection. Our foreign obligations are sacred and cannot be discharged by a wave of the hand and, above all, if there is any doubt as to the security, this capital takes wings as speedily as possible, and the flow of new capital stops. Our prosperity, therefore, depends largely upon our ability to secure capital absolutely against experimental and predatory legislation. Some of our western provincial governments apparently do not clearly realize that fact.

In addition to our capital obligations, we have certain external floating liabilities varying, of course, from day to day. First of all, we have the accrued interest and dividends on capital investments. On an average basis of three per cent., they

would amount to 150 million dollars. The balance, that is, of our commercial liabilities to other countries in excess of what they owe us, is difficult to get at. The average trade balance against us does not tell the story for various reasons. When we add these items to our capital liabilities, we shall probably find that Canada's total external debt will not exceed by any considerable amount the sum of five billion dollars.

2.

Having examined the debit side of Canada's ledger, it will be interesting also to look into the value of those things which constitute the credit. From this, of course, must be deducted our estimated external liability due to borrowings by private or corporate enterprise, which is estimated at 2½ billion dollars and probably one billion of public liability. The balance will be our net worth as a nation. The following is the estimated gross national wealth of Canada:—

Items	Estimated present value
Agriculture—Improved lands	$2,792,229,000
Buildings	927,548,000
Implements	387,079,000
Live stock	1,102,261,000
Fishing—Total capital invested	47,143,125
Mines—Value of buildings and plant	140,000,000
Manufactures—Plant and working capital	2,000,000,000
Railways	2,000,000,000
Street railways	160,000,000
Canals	123,000,000
Shipping	35,000,000
Telegraphs	10,000,000
Telephones	95,000,000
Real estate and buildings in cities and towns based on assessments of 140 localities	3,500,000,000

Items	Estimated present value
Clothing, furniture and personal effects	800,000,000
Coin and bullion—Held by Receiver General	119,000,000
Specie in banks	82,000,000
Value of token currency	7,500,000
Imported merchandise in store	250,000,000
Current production—Agriculture	1,621,028,000
Fishing	39,000,000
Forestry	175,000,000
Mining	190,000,000
Manufacturing	2,400,000,000
Total	$19,002,788,125

It is estimated, that with this investment, Canada earned in the way of salaries and wages, about 881 million dollars in 1911, which, with advances that have since taken place, would bring the amount up to 1,000 millions for the year 1919, and it is estimated that the income available for living of those who are in business for themselves, or practising professions, will approach 1,200 millions, making a total national income of approximately 2,200 millions per annum under present economic conditions. This is an average of about $259 per annum for every man, woman and child in Canada or $1,295 for an average family unit of five.

It is now in order to devote a few remarks to the question of running expenses and resources. Our expenditure per head for Federal administration, interest on debt, etc., for the year 1870 was $4.48, and our revenue per head was $5.55. Those were the days of the simple life. We had 3½ million people to care for who were largely devoting their attention to agriculture and gave little trouble. In 1910 we had doubled our population almost exactly, but our "overhead" was beginning

to run away with us. Our expenditure per head had jumped to $11.48 and the patient taxpayer was contributing $14.67 per head of population. That year there was evidently something left over to reduce our public debt. Then the war came along and the figures immediately began to soar uncomfortably. In 1917 the expenditure per head was $17.77 and the revenue $27.82. We had an estimated population of 8 ⅓ million people.

Now what about the future? I am not going to confuse the reader with spectacular references to "consolidated fund," "sinking fund" or any of the other hocus-pocus of the counting house. We know that it will cost us at least 300 million dollars a year to run Federal Canada, pay interest on debt, look after pensions and pay current expenses not chargeable against capital account. It may, and probably will, cost us considerably more. This minimum would involve an average annual contribution per head of population of about $37. Of course, in addition to this, the Provinces and Municipalities will call upon us to put up at least a similar amount. It would not be so bad if we husky males did not have to pay for the ladies, the babies, the minors and the unattached male drifters. If each man pays for five persons, which is approximately what our taxpayer will have to do, his Federal tax will amount to $185 per head and his total tax—Federal, Provincial and Municipal —to approximately $370 per annum. This is somewhat of a load. The gross per capita income is estimated at $259 per annum for the entire

population, men, women and children and the taxation rate for all purposes at $74 per annum. Our average family unit has a revenue of $1,295 and will pay $370 in taxes, or approximately 30%. This, of course, includes consumption taxation. It will certainly cut into our income!

3.

It is interesting to compare these figures with the financial situation in Great Britain, so as to form a better conception of the relative magnitude of Canada's financial problem. Prior to the war, the total wealth of the United Kingdom was about 80 billion dollars and the national income 10 billion dollars. It is estimated, that by this time the British National Debt amounts to 40% of the total estimated wealth of that country. Canada's Federal debt is less than eight per cent. of her developed resources. Decidedly, our post-war financial problem looks very insignificant in comparison. In Great Britain it is expected, that the normal taxation will reach 755 million pounds per annum, being at the rate of about $105 per capita, compared with our per capita requirements per annum for Federal purposes only of $37!

It is at once conceded, that this is no time for self-satisfied national indolence and foolish optimism. But the worst enemy of Canada today, is the brooding pessimist—the blue-ruin prophet—that intolerable drag on national progress. Compare the conditions in this splendid young country of ours with those in war-torn, war-weary Europe.

Realise, that in those older civilizations almost every natural resource has been developed and exploited for centuries at high pressure. The soils have lost their virgin fertility and are coaxed to produce crops only by intensive culture and artificial fertilization and at great cost. Every available corner of these older countries has for ages done its part in agricultural production. There are no new coal or mineral resources to be discovered and exploited. The creation of new wealth is limited by the possibility of making the human machine more efficient than it was before. And they cannot even add materially to the number of human working units.

Now, Mr. Pessimist, look at Canada. Do you know how to look at Canada with the knowing, appraising, intelligent eye? If you do, are you not amazed at her enormous, potential, natural wealth? The surface of her wonderful agricultural empire has scarcely been scratched and yet she is feeding millions. Her undeveloped coal, oil, power, forest and mineral resources defy the wildest flights of imagination. The wealth of the Indies fades into insignificance in comparison. Canada's forests and fisheries alone could make a nation prosperous. But, above all, there are the great advantages of her invigorating, healthy climate and clean environments and their priceless product—the virile man and woman.

Canada is an empire of boundless opportunities. We owe now a matter of a billion dollars or so, on account of the war, which we figure out at so much

per head of population. Very well. We can double our population and cut the debt in two. We can treble the population and have it reduced to a mere insignificant amount. Our safety lies in the outstanding fact, that we can multiply our present population by ten and still have ample elbow room and call aloud for more men and women to come to our shores to help us develop our resources and, incidentally, make happy and prosperous homes for themselves!

Wake up, Industrial Canada! This is the day for the heroic attitude of mind. Are you in doubt as to the wisdom of going full speed ahead—are you tempted to "play safe"? Did the boys in the front trenches "play safe"? If they had done so, where would you and your precious industry be today? Were they pessimistic and down-hearted during the darkest days of the war? Mr. Industrialist, you have nothing but sordid, material things to lose, and it is your turn to act. Hitch your waggon to a star! Discard your cold, calculating caution and dispel the gloom of panic. Our nation is in the making at this hour and this is the time for great decisions. See that yours is dictated by a sense of public duty and patriotism and not solely influenced by cowardly, timid motives. If you meet the future with that degree of confidence and assurance which the whole situation amply warrants, all will be well.

I want to urge upon all classes in Canada at this moment to have done with pessimism, and to take up cheerfully our comparatively easy burden with

unbounded confidence in our ability to discharge our obligations in full. Those who, in this vital period of the world's history, are privileged to live in this virgin land of ours may regard themselves as fortunate in comparison with others who must solve laboriously the infinitely harder problems facing the inhabitant of European countries, surrounded by all the limitations of older civilizations. They have for many centuries drawn heavily against nature's ever-diminishing savings account, while we, in Canada, have in that bank a balance to our credit, the extent of which defies human calculation.

CHAPTER THIRTEEN

RAISING THE WIND

1.

WE are now going to discuss grave national affairs, with special reference to your personal pocket-book, so I must ask the reader to project his mind into a dignified and receptive state. First, I desire to tender an apology for my flippant title. The fact is, however, that this is how the present subject crudely, but unerringly, struck my untutored mind. My real troubles only commenced when I endeavoured to couch this central, dominating idea in conventional language. I had numerous inspirations and discarded them. After all, as the main business of the Government of Canada during the lifetime of the present generation, and possibly for generations to come, will, beyond all peradventure, actually be to "raise the wind," by separating you from your spare cash,—and much cash you cannot readily spare—why not be brutally frank about it and "call a spade a spade," even if the phrase I use is somewhat slangy and broadly reminiscent of college days and pawnbrokers? At any rate, I can think of no more explanatory and comprehensive title, so we must perforce let it go at that.

In the affairs of the nations concerned the Treasury Departments of the Governments of Great

Britain and the United States loom up much more prominently than Canada's Finance Department. This, no doubt, is partly due to the fact, that the financial problem of this country has never been acute. But it is becoming so now. And the time has clearly arrived when our Federal Finance Department, and our Finance Minister, must take the same dominant place as in other countries. We do recognize, in an unofficial sort of way, that the portfolio of Finance comes next in importance to the Prime Minister, but this vague notion should be translated into an actuality. In all seriousness, the "water tight" department scheme at Ottawa must go, and those who obstruct the removal of the administrative bulkheads should go with them. We have reached a crisis in the history of our country when the closest team work becomes an absolute essential to the introduction of business methods in our administration. The Prime Minister is, of course, supposed to be the connecting link between departments, but he now moves in a sphere far removed from mere departmental adjustments. Council is a poor medium for promoting team work on the part of its individual members. Authorized leadership and cabinet discipline are what we require just now. The remedy is to clothe the Finance Minister with wide powers, second only to those of the Prime Minister, or rather to delegate some of the powers of the latter to the Finance Minister. He should be in a position to remonstrate with, and to dictate policy to, his colleagues, without apology.

I know precisely the sort of Finance Minister Canada really requires in the present crisis. He should possess the capacity of the present Prime Minister for sane, judicial reflection, Mr. Rowell's high sense of public duty, and the analytical, rapierlike mind of Sir George Foster, coupled with his parsimonious inclinations. With the inscrutable face and the courageous, contemptuous disregard for public opinion of Mr. Sifton, he should have the broad vision of Sir Thomas White and the untiring industry of Mr. Calder. This composite super-Finance Minister would, of course, be more monster than human. He would be blind to everything except public interest. He would separate you from your last crust with a shrug of his shoulder. Our fiscal machine would be as efficient as the juggernaut, and so cordially hated that the people would proceed to smash it. All of which goes to show, that democracy hates efficiency.

Until this weird creature of the imagination turns up and offers his services for a dollar a year, Canada may consider herself singularly fortunate in the present incumbent of this important post. He was not a prominent figure on the political horizon even a few years ago. Consequently, he is not steeped in unwholesome party politics. We may expect from him more than a partisan consideration of national problems. Sir Thomas White is a broad-gauge, patriotic man, not unwise politically, very approachable and tolerant in his views. There is perhaps no better human material

in sight in our public life for the important responsibilities of "raising the wind" in order that we may escape the whirlwind.

2.

I have endeavoured in a previous chapter to point out the broad, dominant features of Canada's present financial situation. It is clear to the least intelligent, that the Government will need every cent it can safely collect from the citizen. In other words, it must collect the highest practicable percentage on the earnings of every individual. This is a tremendous responsibility. If unwisely exercised it may have all sorts of baneful influences on our whole productive and business fabric. Generations ago the late Chief Justice Marshall expressed the opinion, that the power to tax, confers the power to destroy. Decidedly, the most important information the Government of Canada needs to-day is just how to obtain the necessary revenue without detrimental effects on the development of our country. This problem practically overshadows all others, and Canada will insist upon these functions being intelligently performed and the necessary organization provided to ensure, that every possible legitimate avenue of revenue is impartially utilized, while, at the same time, the burden is so placed and distributed, that Canada's industries and business suffer no avoidable check.

Our Federal Finance Department should employ constantly several highly paid men, trained in various lines of activity, to conduct a painstaking,

detailed investigation into every possible source of revenue the Government might fairly and safely utilize, to discover feasible sources of taxation and to work out all the details for incorporation in the budget. By studying the British fiscal proposals, it will be found that we have in Canada various sources of revenue that have not yet been tapped. There are great possibilities in the direction of luxury taxation. Those who, in a crisis like the present, desire to indulge in high living, should pay for the privilege. Think of the scope for ingenuity and constructive suggestion! The investigators should also be able to fortify the Minister with reliable facts, figures and estimates, so that he could face Parliament with an intelligent explanation and forecast of result of any new revenue policy and thus avoid the danger of being faced with a past record of bad fiscal guesses when the House meets again, and his previous speeches become fair subjects for criticism.

For goodness sake, let us endeavour to get out of the rut of brainless imitativeness and see if we cannot be original, be ourselves, for a change. Tamely copying fiscal policies of other countries is such a tiresome confession of stupid incapacity. I cannot recall, at this moment, any important plan of an original character, in the way of war administration, that we worked out in Canada during the past strenuous years, except our system of pensions and of vocational training of disabled soldiers, which is a model of efficiency. Everything else was copied from other countries and generally a

couple of years late in being put into force. Do let us wake up and become impressed with the idea, that we, in Canada, have our own peculiar handicaps to overcome in our own peculiar way. Our conditions and environments are different from those of other countries. Let us have intelligent investigation and constructive thought and solve our problems in a thoroughly Canadian way.

3.

Canada unquestionably has a very serious fiscal situation to face. It is one which calls for the immediate abandonment of all taxation proposals that cannot be justified on their merits. "Sugar coated" taxation measures, designed primarily to hoodwink the taxpayer and only secondarily to raise revenue economically, must be discarded. Our public men must deal with the matter openly and take the people into their confidence. Bricks cannot be made without straw, and an element of absolute frankness is required, to impress on all classes the fact that everyone, from the highest to the lowest, must pay according to his means. The Government must also give proper assurances, that in order to promote the more even distribution of wealth, the heaviest burden shall be placed on the shoulders of those who have the greatest stake in the community.

The public must carefully guard against being carried off its feet by mere catch-phrases. During the war one heard a great deal about the "conscription of wealth." No one ever took the trouble care-

fully to analyse the term. It sounded well and we let it go at that. It became a very popular slogan at Forum meetings. Let us see what it means, if it means anything in particular. The term wealth, I presume, is intended to mean "capital." Now, the Government does not require capital. It needs income only. It needs income for the ordinary public services of the country, to pay interest on loans and to create a sinking fund to repay borrowed money over a term of years. Obviously, the greater the aggregate income of all the citizens, the greater the aggregate amount of taxes the citizens are able to pay. Therefore, the great desideratum is not to take away the capital of the citizen, but to promote the earning power of this capital, so that the State may confiscate the largest possible amount of these earnings. That is the basis of sound national finance.

A specific case is perhaps more explanatory. A certain citizen owns a cattle ranch, let us say. He has fixed assets, in land, and liquid assets in live stock. If the Government levies a capital tax, of ten per cent. on capital, our rancher friend will require to sell probably twenty per cent. of his cattle to meet such an obligation. Evidently this will reduce the earning capacity of his business, as he still has fixed overhead expenses to meet, and for the future, his contributions as an annual taxpayer will be reduced accordingly, or may be eliminated entirely. The same argument holds good in connection with a manufacturing industry. With the withdrawal of capital, it would be

unable to expand; in fact, it might easily fail. Let us not forget, that all capital is put to some use and cannot be withdrawn with impunity. The day of hoarding capital in a stocking is gone. Capital cannot earn income without being usefully employed and the State absolutely cannot confiscate invested capital with safety. It must confine itself to confiscating the earnings of capital, which is precisely what a system of income taxation is intended to do.

4.

There are many dangers assailing democracy on every side. One of the greatest is the demagogue in responsible places. His stock in trade is destructive criticism. He plays on the ignorance of the multitude. The only safeguard against this menace is enlightened public opinion. Our public life is honeycombed with this class of politician, who frequently drives Governments into unwise and unfair legislation, simply as a concession to popular clamour, based on shallow, opportunist argument.

We have seen a beautiful example of this poisonous propaganda in connection with the imposition of business taxation in Canada. Our present Finance Minister is much too able a man not to realise the folly of such a scheme of taxation. If I am not mistaken, he has given veiled expression to this sentiment, on the floor of Parliament. But certain members of Parliament, and a surprisingly large section of the press of Canada, have hounded the Government into maintaining this absolutely inde-

fensible taxation system. I am not now referring to the imposition of a special tax on excess profits on war contract work. That is sound and legitimate. My remarks apply solely to the general tax on business earnings.

The Business Profits War Tax Act, as now amended, provides that in the case of all businesses having a capital of $50,000 and over, the Government collects 25 per cent. of the net profits over 7 per cent. and not exceeding 15 per cent.; 50 per cent. of the profits over 15 per cent. and not exceeding 20 per cent.; and 75 per cent. of the profits beyond 20 per cent. In all cases where a business has a capital of $25,000 and under $50,000, the Government takes 25 per cent. of all profits in excess of 10 per cent. on the capital employed. Concerns employing capital of less than $25,000 are exempted, with the exception of those dealing in munitions or war supplies. As might be expected, this legislation proved exceedingly popular amongst the masses. It was regarded as a thoroughly "democratic" measure. The man on the street did not pause to reason the thing out. It looked well on the face of it and he was amply satisfied. It was a clear case of "corporation baiting."

If we expect Canadian industry and business to prosper and expand, we must remove obstacles rather than impose them. We dare not, in fact, do anything that may seriously cripple industry, because we cannot "eat our cake and still have it." Above everything, we must keep our hands off the

legitimate domestic financial arrangements of our business institutions. Let us get the fact well into our heads, to begin with, that capital cannot run away. It cannot escape paying tribute to Caesar, sooner or later.

To say to an industry: "You made a profit of $20,000 last year on a capital of $60,000. Therefore, you can afford to pay in cash to the Government the sum of so many thousand dollars," is utterly absurd. Who knows what the financial requirements and engagements of this particular industry are? What are the pressing floating liabilities that must be paid out of earnings? What are the future chances of heavy losses on operations against which cash reserves must be built up to enable the concern to carry on? Or what the necessity for providing a fund to take up past losses? What amount of cash is urgently needed to replace worn-out equipment or to install modern equipment to reduce cost of production? One can quite imagine, that an industry might appear to be making large earnings, but might easily be absolutely crippled by the withdrawal of the amount of cash involved under the present taxation system.

The business tax is not, in the least, democratic. It is simply destructive. In our fiscal policy the broad principle should be laid down, that no citizen shall escape his just tax. But we must draw the clearest possible distinction between Smith, the manager, or Jones, the shareholder, and the enterprise itself. Whatever Smith draws in salary or Jones in dividends from this concern is fairly sub-

ject to taxation. Tax them to the hilt, if you like, but don't monkey with the source from whence comes the income upon which we tax both Smith and Jones.

Business earnings should not be subject to taxation until they are available for distribution in cash, when the proper tax should promptly be deducted and remitted direct to the Government and the balance only paid over to the shareholder. There is absolutely no object whatever in business concerns unduly deferring the distribution of earnings. If the money is not required in the enterprise as capital, it simply cannot escape taxation. The tax collector is always there to take the Government's share whenever any distribution is made. Capital cannot disappear without trace from financial statements and accounts, and find its way surreptitiously into the shareholders' pockets merely by delaying the distribution of business earnings.

5.

I read some time ago in a Toronto weekly a most amusing biographical sketch of our famous Fathers of Confederation. All my illusions were cruelly shattered. They were pictured as a most mediocre set of men, many of them greatly addicted to the unwise use of alcoholic stimulants, and some with subsequent records that drove them from public life. Upon looking over the taxation provisions of the British North America Act, I am forced to the conclusion that this humourist did not wander far from the truth.

In some Provinces, the individual pays three separate taxes on income—to the Federal and Provincial Governments as well as to the municipality in which he resides. There seems to be neither reason nor method in our whole taxation scheme in Canada, and some quick and effective work in the way of constitutional amendments would seem to be urgently necessary. Certainly, taxation on income, which is bound to become the main source of revenue for the Federal Government, must be reserved absolutely for the Dominion. There can be no question, that intelligent legislation cannot be proposed on this subject unless the Government enjoys a monopoly on this tax. After a fair income tax plan has been worked out by the Federal Government, and received the sanction of Parliament, there is at present no assurance whatever that a Province or municipality may not step in and levy additional taxes on income that will upset the whole equilibrium of the scheme.

It is also reasonably clear that inheritance taxation should be reserved exclusively for the Dominion. With our small population, we cannot risk increasing taxation on consumption or income, to the breaking point. To create a sinking fund for the repayment of our public debt, the rational system would seem to be, to impose a scientifically graduated Federal inheritance tax, designed so as in time to take up most of the principal liability, and to use other means of taxation for the liquidation of interest, and for consolidated fund expenditure.

It is realized, that such a method is open to some objections, the principal one being that most estates upon which a drastic inheritance tax would be levied could not pay a large proportion of cash. Provision could, however, readily be made for the State to take over stocks, bonds and other investments at their proper valuation, so as not to impede the progress of industry generally, or to place any undue burden on an estate liable to heavy taxation. Shares in industrial enterprises forming part of such estates could readily be taken over by the Government and the income collected for the benefit of the people of Canada. The Public Trustee in England administers thousands of estates there and the precedent was set in Canada when we provided an organization to deal with the administration of alien enemy property. Even if an inheritance tax on the basis of the one imposed in Great Britain was adopted, it would yield a very considerable revenue, which would increase with population and the prosperity of the country.

Entirely apart from the question of revenue, a heavy inheritance tax is in line with advanced thought. It distinctly makes for a more even distribution of wealth amongst the people. While the State, as at present constituted, may not materially interfere with the business activities of its individual citizen during his lifetime, it cannot be successfully argued, that the handing down of huge estates from father to son is in the interest of the latter or in the public interest. In fact, it is entirely contrary to public interest. Civilized society cannot

accept the principle, that the individual born into the lap of luxury is entitled to everything life can give, without individual effort. The mere accident of birth should not be the governing factor. Every citizen in the model democracy should be usefully employed as long as he is able to work, and should have no right to more than a modest portion of any estate left by bequest. The balance should be appropriated for public purposes, after taking suitable care of minors, and female or aged dependents.

The late Colonel Roosevelt and many illustrious statesmen have been firm and consistent believers in drastic inheritance taxation, not alone as a means of producing revenue for the State, but also to correct social inequalities. It is scarcely open to doubt, that boys who are compelled to make their own way in life, after having obtained a reasonably good education, make better citizens in the end than those who, provided for through the thrift and exertion of others, frequently fall a victim to idle and vicious habits. It is quite proper and in the public interest, that the State should have some jurisdiction over the wealth of deceased citizens.

6.

The high protection advocate seems at last to have fallen back on the revenue feature of the present tariff to bolster up his case, and the more moderate element will even admit that a revenue tariff has many objectionable features. But, we are asked, where else are we going to get our

revenue? It is pointed out, that Canada has always depended chiefly upon consumption taxation for the same. From 1913 to 1918 Canada's revenue in millions was as follows:—

——	Customs	Excise	Business Profits	Other War Taxes
1913	112	21½	...	...
1914	104½	21½	...	...
1915	76	21½	...	...
1916	98½	22½	...	...
1917	134	24½	12½	3¾
1918	146	27	21	4

This "where are we going to get it" idea always strikes me as an absolutely piffling line of argument. We raised by taxation some 200 millions in 1918. Three-quarters of that was collected upon imports. Is anyone foolish enough at this time to suppose, that the people of Canada did not pay that 200 millions out of their pockets into the Federal Treasury? That being admitted, it is manifestly absurd to contend, that the people of Canada can only pay this amount if collected through this particular agency, or that they cannot pay it if an attempt is made to collect by improved and fairer methods, viz., by income taxation. I take it for granted, that the generation that laboured under the delusion that the "foreigner" pays the import tax, has long since died out. There cannot be any

question that whatever amount of revenue the Government is able to collect by way of taxation on imports can be collected with equal certainty by direct taxation, or through any other channel, but probably not with equal facility from the identical man who paid it before. There is the rub.

We finally get down to the proposition, that the whole argument hinges on expediency, in other words, on politics. The following seems to be the case, as far as I can size it up:

(1) A direct tax involves positive knowledge on the part of each taxpayer of the exact amount of his contribution. Intelligent exemptions can, therefore, be made.

(2) An indirect tax shrouds the whole transaction in mystery. No one knows what he pays. No intelligent exemption can, therefore, be made. The system is, consequently, unsound and unscientific and should be avoided as far as possible.

(3) Collecting the bulk of Canada's necessary revenue by means of direct taxation, therefore, resolves itself into a complete revision of the present scale of income taxation, including a lower exemption; all of which creates a most uncomfortable political problem.

There is no use denying, that this political problem is a real one and even a serious one. But those who discuss the proposal as beyond the scope of practical politics, surely admit tacitly, that under present conditions the less affluent classes may be bearing an unduly heavy proportion of the burden of indirect taxation, without knowing it. The Gov-

ernment can quite consistently increase the direct tax and lower the exemption, if the tariff is reduced at the same time and the indirect burden thus removed in whole or in part. It would be as broad as it is long. Consumption taxes on luxuries can still be maintained, also on certain necessities as in the British plan, but the income, being the fairest basis of taxation, should assuredly be made the corner-stone of our taxation policy rather than merely incidental to the scheme.

The latest information available is to the effect that some 65 million dollars will be collected during 1919 under the Business Profits War Tax Act, which is very much in excess of the estimate. Under the Income War Tax Act, 10 millions will be collected. This latter amount is, however, very much reduced, owing to no revenue being collected under the Income Tax Act in respect of earnings which have already been taxed under the former Act. Without this exemption, the collections would probably have been increased to nearly 20 million dollars.

The present Finance Minister has shown courage in introducing the existing direct taxation measures and will doubtless realize, that his future course must be in the direction of increasing direct taxation and decreasing consumption taxes. It would, of course, be madness to adopt any revolutionary tactics at this time. Our income tax gathering machinery is gradually being built up and is daily increasing in efficiency. Records are being gathered and compiled, which will provide the

statistical information so absolutely essential in framing intelligent policies on this subject. The present income tax returns will tell the story and will be a reliable guide to future action.

7.

The Great War will be directly responsible for many fundamental changes in our social structure. Even now some of them are taking definite form. One vital effect will unquestionably be, that the incidence of taxation all over the world will enlarge its scope. It will graduate from the narrow field of exacting more or less nominal tribute upon the earnings of the citizen for defraying the cost of public services, into the much wider and more important sphere of becoming an effective instrument in promoting a more even distribution of wealth amongst all the citizens of a nation. The doubling and trebling of public revenue requirements to defray the staggering cost of war and its aftermath, will throw on most of the nations of the world, Canada included, a perpetual burden which must of necessity be carried chiefly by those who are best able to bear it, that is, by the rich and the moderately wealthy citizen.

This situation will have a far-reaching effect. It will solve many social problems. Great Britain today takes by direct taxation one-third of the gross annual income of its fairly well-to-do citizen and a very large share of his entire fortune at death. Obviously, in the course of time, great fortunes will automatically disappear. In Canada, with our

smaller and less affluent population, the burden may have to be almost equally as great. The State can now perhaps afford largely to shut its eyes to inordinate profits on private enterprise. They must in the end pay tribute and the profiteer will find, that he has merely acted as a voluntary taxgatherer for the State. This will presently become an irksome, unpopular and thankless pastime. It may perhaps safely be taken for granted, that if the Government of Canada does its duty intelligently, the scheme of taxation will be so adjusted, that net earnings on private capital will never be what they were in the past, and thus the levelling process will presently remove the more glaring inequalities that now furnish the favourite text of socialist propaganda.

I had intended to deal somewhat at length with the urgent necessity that exists for thrift and economy, individually and nationally. But, on second thought, it appears almost superfluous to discuss that point. That most admirable of all thrift advocates, the high cost of living, will present the case with irresistible eloquence. The average citizen will also find that the new demands made by the State upon his normal income will probably be such, that a measure of economy will be absolutely forced upon him. Besides, Canada must largely finance her own capital requirements in the future. Patriotic appeals to provide funds for Federal purposes will be made from time to time to which the citizen cannot remain deaf, and which will involve further reduction in his current expenses to meet the demands of this enforced savings plan.

It is extremely doubtful whether increased income from salary or investment will more than keep step with the cost of living. That there will be no relief in this quarter for a long time seems clear. Wages are still on the increase and raw materials will, consequently, be slow in the downward progress. Staples, such as wheat, may reach lower levels in prices, but the effect on the average household budget will be comparatively trifling. We may, therefore, safely anticipate a very high cost of living for many years. Reward for labour is also being rapidly adjusted to the new order of things, which latter must of necessity prevail until wages reach a lower level.

Anyone who anticipates a general reduction in wages at any early period, will, however, be doomed to disappointment. The law of supply and demand in labour will not function efficiently in times such as these. Minimum hours, maximum pay, unemployment insurance,—all these factors will tend to control the situation more effectively than economic laws, which are gradually being forced into the discard by means of superior social organization. This has for its sole object precisely the elimination of the ruthless and destructive, "hit or miss" methods of letting matters take their natural course, which have perpetually precipitated the wage earner from feast into famine and thrown nations into periodic panics. The new order of things tends towards stability and is better for everyone.

CHAPTER FOURTEEN

THE FARMER AND HIS TAXES

1.

THE farmer presents a special problem in taxation owing to the difficulty of ascertaining his net income after making reasonable allowances for all items properly chargeable against business operation. It is putting it mildly to state, that the difficulty is further enhanced in Canada owing to the pioneer character of our agriculture and its rough-and-ready business methods. Then there is the not unnatural hesitation of Governments to impose a direct tax on a politically preponderating class, as long as they are able to levy taxation by indirect methods and arrive at a satisfactory net result in the way of revenue. One cannot help sympathizing with the Government that finds itself confronted with the necessity of making a clean breast of the situation and confining its taxation system to direct and easily comprehended measures. Nevertheless, it is one of the many unpleasant duties that fall to the lot of our statesmen, and they must not endeavour to shirk it. The farmer is entitled to know what his taxation liability is and on what basis any tax is levied. He does not know that now.

In Great Britain, the farmer is shown no special consideration. He is in the minority and takes last

place in point of importance. When the war broke out, the question of separating him from his proper share of the joint burden received serious thought. It was decided to subject him to a form of income taxation, which was not computed on his actual business income and expenditure. He was assessed on a basis of one-third of the rental value of his land. In a country like Great Britain this amount is, of course, easily ascertained. Farms of a smaller area than 450 acres were entirely exempt. This was very generous treatment. Far-seeing statesmen realized that prosperous agriculture meant vastly more to the nation than a few million pounds of taxes. Provision was even made under which a special reduction was secured if the actual profits of any particular farm fell below the statutory estimate of one-third the rental value. It is interesting to note, that it was deemed to be in the public interest to make the taxation burden upon agriculture as light as possible.

It was only when Great Britain's war expenditure developed into the colossal proportions of the last two years and when profits on agricultural products mounted up to phenomenal figures that the Government there began to increase rural taxation. In 1917-18 the assessment basis was increased to the full rental value of the land and the 1918-19 basis is twice the rental value of the land. The farmer, however, is exempt from the operation of the Excess Profits Duty. The gross production of British farmers increased from 200 million pounds before the war to approximately twice that figure

for the current year. It is estimated that the capital of the farmers in Great Britain has been doubled during the period of the war. This will mean increased production in the future. Perhaps that will not be good for Canada!

2.

Speaking by and large, the tariff reform movement is essentially one that comes from the land. The farmers of Canada, constituting fifty-six per cent. of the population, have spoken formally on the subject in no uncertain voice. As might be expected, the metropolitan press of our country, while in many instances professing sympathy with the agrarian view, has not been slow in pointing out, that revenue is the crux of the situation and that any agitation in favour of a reform that would at once reduce the public revenues by at least fifty per cent., must, in common fairness, be accompanied by some sort of suggestion as to how the financial situation is to be adequately met.

The Canadian farmer has unfortunately failed in this respect to some extent and has apparently been ill-advised and unintelligently led. His class already enjoyed the unenviable reputation of being utterly selfish, narrow and devoid of public spirit. The sarcastic comments in the daily press on his latest venture into the fiscal field have not had a tendency to correct this impression. In fact, it is now firmly rooted in the minds of urban dwellers. The farmers' tariff reform movement is frankly regarded by them as a selfish attempt on the part

of the largest class of producers in Canada to shift the burden of taxation from their own shoulders to those of the already overtaxed town and city dwellers. This is an unfortunate, and, I believe, quite erroneous, conception of the situation.

The farmers, as a matter of fact, have steadily and consistently urged the adoption of the Single Tax system in Canada. Under it, there would be no possibility of their escaping taxation. It is only fair that this part of their platform should be considered in conjunction with their tariff reform attitude. I have elsewhere somewhat severely criticized the single tax proposal, but there are unquestionably features of it that can be profitably adopted. A tax on agricultural lands labours, of course, under all the objectionable features incidental to every form of taxation of capital values, one of which is, that there can be no certainty that the property assessed has actually produced sufficient revenue to the owner to justify the tax levied, which I deem to be a departure from sound principles of taxation. At the same time, the question of expediency cannot be entirely ignored. Everything considered, a straight land tax is, from an administrative point of view, perhaps the most practical solution of our rural taxation problem. It is certainly infinitely sounder than our present stupid consumption taxation.

As I have pointed out, the farmer, from a tax-gathering point of view, unquestionably presents a problem. What his present contribution is under the import tariff system of collecting revenue no

one knows and no one can even estimate. While no definite figures are available on the subject, it is fairly certain, that collections under the income tax law now in force, from farmers throughout Canada, will be inconsiderable. Our Finance Department has in all probability regarded the situation as more or less hopeless and has not perhaps even made a very serious study of methods to bring the average farmer successfully within the operation of this tax.

Obviously, it is a most difficult matter to analyze the income and expenditure of the farmer so that a proper basis may be reached for levying income tax. In the first place, only few farmers keep books, or even simple records of their business transactions, and most of them, if asked to fill in forms giving information of the status of their business, would be quite unable to do so. The farmer receives part of his living from his business. The value of this would have to be determined and it is seldom on record. Altogether, it would be an almost impossible task to collect taxes from the farm on an actual income basis. This, however, be it clearly understood, is not the fault of the farmer.

It seems to me, that the single-tax principle might effectively be applied in collecting from the farm the volume of taxation deemed necessary in lieu of income tax. It would be necessary to consider the farmer entirely apart from the regular operation of the income tax and then adjust the import tariff accordingly. Having estimated the additional amount to be collected from Canadian

farms, simply make a levy on all agricultural lands in Canada of so much per acre. We have 110 million acres of land embraced in farms throughout Canada. There is also a vast area of unoccupied lands. In the three prairie provinces alone there are over 200 million acres of surveyed lands. Indian Reserves, roads, forest reserves, water-covered areas, etc., account for approximately 80 million acres. The balance apparently, is now or will be in time, available for taxation. Why neglect such an obviously simple avenue of taxation, particularly when the Government has, in season and out of season, been invited and urged to use it by the responsible leaders of the very people affected? The amount per acre involved would be inconsiderable and the cost of collection small.

3.

In working out a land tax system applicable to agriculture in Canada, the whole subject would have to be approached with circumspection. It is not a job for amateurs. Knowledge of the peculiar agricultural conditions of each province would have to be brought to bear in the construction of any legislation on the subject. This tax, being in effect a tax on capital, could not be blindly levied without a certain detriment to agriculture.

Exemption provisions would have to be carefully drafted. A reasonable exemption period would need to be given new settlers before the Act became operative in their cases. The possibility

of extended crop failures would have to be contemplated and provided for by conferring power on the Governor-in-Council to postpone the collection of land taxes within any area so affected. Above all, the character of lands embraced in farms would need to be classified roughly, at least, if full justice were to be done to each holder. It is obvious, that stony or swampy areas could not fairly be taxed on the same basis as lands capable of yielding expensive and remunerative crops. The tax would probably also have to be graduated according to average land value in each province, and possibly with reference to distance from railway transportation and markets.

I do not propose to enter into all the detail of the proposal. It is not my special mission here. That a fair and workable rural taxation system, coupled with an economical plan of administration and collection, can be worked out along the lines indicated, admits of no serious doubt whatever. I am also fully convinced, that this is the only rational agricultural taxation system to adopt in Canada, and it has the additional virtue of being absolutely in line with the views and convictions of organized agriculture. That the Canadian farmer must be compelled to bear directly a fair share of the common burden admits of no argument whatever. The problems are, to determine the amount of his contribution and to distribute the burden fairly.

CHAPTER FIFTEEN

RURAL CREDIT

1.

IT may seem quite inappropriate to deal with the banking system of Canada here, but as my criticism will be largely confined to the subject of agricultural banking facilities its inclusion will be understood. We have been told by our leading financial men that our banking system is the best in the world. It probably is—for the banks. It may be also for industry and commerce. That it was specially designed to meet the requirements of the latter is clear. From the point of view of agriculture, it leaves much to be desired.

Our whole system of enormously large financial corporations, with branches scattered all over Canada, does not lend itself successfully to business with the farmer, for the simple reason, that the banking risk involved in agricultural loans cannot be estimated on the basis that applies in connection with commercial loans. Once a farmer has made his start and purchased his plant, he has invested his entire capital in fixed assets and in some cases has considerable liabilities attached to them. Individual loaning in such a case would be considered reckless banking. The farmer with sufficient liquid assets to command a loan is precisely the farmer who probably does not need it.

The real assets of the average farmer, compelled to use the bank, are of course, the fixed and moral assets—the fact, that he has a large equity in his land, even though it may be mortgaged, that he has a wife and children and has taken root in his own soil, that he has lived in the district for years and bears a good character. These assets, however, are seldom considered by the average chartered bank, and from a business point of view, one cannot criticize. It is the system that falls short.

The business of the chartered bank is to lend against unpledged liquid assets, taking security in certain cases. Useful amendments have been made to the Act in recent years to enable banks to lend to farmers against definite security. The exemption provisions, however, make farm loans a hazardous risk. I am inclined to think, that the various Provincial Governments might in conference with delegates from agricultural organizations, advantageously reconsider the exemptions granted farmers. Altogether, this class of business cannot be satisfactorily handled through the present organization of our banks and the machinery now available. The very practice of sending quite young men out as managers of branches in rural districts and after a brief interval transferring them elsewhere by way of promotion, is not calculated to bring the farmer and his bank representative into very intimate relations. They hardly get to know each other before a new manager arrives and the process of establishing confidential contact has to be begun all over again. Besides,

these young men have little authority except in regard to trifling loans and are continually under the iron rod of the head office.

2.

Some bank managers have freely told me, that the more rigidly the farmer adheres to working on his own capital and refrains from borrowing, the more likely he is to succeed. This is a short-sighted view. Numerous British Royal Commissions have visited Denmark during recent years to study the system and method of financial co-operation so successfully practised there. I have in mind one Commission that condemned the whole Danish system unstintingly, on the ground that the average debt of the farmer there was the greatest per capita of any agricultural country in Europe, or probably in the world. This argument, however, was successfully refuted by a leading economist, who pointed out, that the facility with which the Danish farmer could command capital, both short term and long term, at a low rate of interest, was precisely the fundamental reason for the unprecedented agricultural prosperity of that country. This is the other side of the question and I commend it to consideration.

The fact is, as I personally know, that some of the leading Danish farmers would never dream of paying off the large mortgages they carry on their properties. The money is obtained at a low rate of interest and they calculate, that they can profitably utilize this additional capital in the conduct

of their business, which, owing to the large amount of artificial fertilizer and imported feeding stuffs they buy, is, of course, much more complicated than the business of agriculture in Canada.

Moreover I conceive it to be a dangerous theory to assume that a farmer cannot utilize capital as advantageously and as satisfactorily as a person engaged in any other business. I believe, on the contrary, that he can make far more profitable use of money than any other borrowing class. The widest possible credit, at the lowest rate of interest, is an essential in agricultural development. Where these conditions prevail, agriculture prospers.

We are exceedingly short of live stock in Canada. There are many causes assigned for this situation, which appears somewhat paradoxical to the man from the city or town, who has not lived close to the soil. He attributes it to a studied neglect on the part of the farmer in respect of one branch of his business, which infallibly would lead to unqualified success if once he could be persuaded to try it. This, of course, may be at once dismissed as an absolutely absurd proposition. The cases that would come under this heading would be so negligible as to be unworthy of serious consideration. We must therefore assume that there are certain very real obstacles to the general introduction of live stock on our farms. And such is precisely the case.

It is altogether a question of capital. The farmer must purchase foundation stock, provide certain buildings, grow additional fodder crops,

etc. How are we going to solve it? Not by any sort of educational propaganda, technical or commercial. That live stock on the farm is a desirable proposition, no one disputes. It is self-evident. If there is any immediate solution in sight it lies in the extension of rural credit. And if we can persuade ourselves mentally to couple the problem of generous rural credit, as a Government measure, with the problem of live stock extension, we shall have made a long stride towards a better understanding of the whole matter.

I do not feel disposed to complain of the general attitude of the chartered bank towards demands for funds by farmers desiring to invest in live stock. Our chartered banks will stoutly maintain, that any farmer entitled to credit has no difficulty whatever in securing what accommodation he is worthy of. I believe that this statement is literally correct. It is entirely a case of definition and standards. The very farmer who most urgently requires generous credits is ineligible, or only partly eligible, according to the standard of our chartered bank. Nor have I any intention to dispute the soundness of the bank standard or the bank point of view on the subject. My criticism is exclusively confined to the absence in Canada of a banking organization specially designed to meeting agricultural requirements in a new country.

Another difficulty is, that present bank advances are of too temporary a nature. Our banks are great sticklers for "liquid" assets. A farm loan may be made for three months and renewed on

maturity. But difficulties are raised by the Head Office when renewals are too frequently requested. The policy is, that the bank must be repaid, at least, within the year. The whole transaction is a temporary one, which is not what the farmer wants. He cannot profitably invest in live stock knowing that he has to realize within a year. It is not worth while for a farmer to borrow on such conditions for live stock investment. The attitude of the chartered bank is, that it cannot undertake to supply permanent capital to its customers. Its mission is to supplement temporarily their working capital. As regards industry and commerce, that is quite an unassailable position. The farmer, however, can be only partly benefitted by such a limited measure of financial assistance.

3.

In the United States the country's financial business is based on local "State" and "National" banks. The owner of the small bank most frequently manages the business. He is generally a leading man in the community and knows every farmer in the district personally. Two or more such banks, frequently with a capital as low as $50,000, compete for business in most rural centres. With the recent establishment of great regional banks, every facility now exists for rediscounting of farmers' paper, so that a large loaning business can actually be done on comparatively small capital. The moral asset is, of course, the

keystone of loaning to farmers by these institutions, and the interest rate is generally high, although seldom higher than in our West. The system is well adapted for the requirements of a new agricultural country, but I think Canada might evolve something better; possibly on the co-operative plan.

The Government of the United States has, however, within the past few years, given very considerable attention to the question of providing machinery for extended loans to farmers on real estate security at low rates of interest. After a very searching investigation into the rural credit systems of various countries throughout the world, legislation was brought in, under which a Federal Farm Loan Bureau was established to arrange long term credits. The Federal Farm Loan Act will enable farmers throughout the United States to borrow any sum from $100 up to $10,000 at from five to forty year periods. The basis adopted in fixing rates is to advance up to 50% of the land value and up to 20% of the value of the permanent, insured improvements on the land.

The United States Government is organizing twelve great land banks whose operations will extend over the whole of the United States. It is expected, that this system will have the effect of enabling tenant farmers with limited capital to become land owners. In the United States, as elsewhere, there is a very sympathetic feeling towards promoting the instinctive and deep-rooted gratification derived from the ownership of land. Loans

are made on the amortization plan. If made for 36 years, for instance, the annual interest plus 1% will extinguish the debt in the time mentioned. It was expected that the rate would not be higher than 5%, but the effect of the war on world finance has been such, that it is quite unlikely that this hope will be realized, or at least, not for the time being. It is also expected, that the effect of Federal loaning at a low rate of interest and on very long terms, will enable the farmers requiring working capital to raise a further amount by borrowing against second mortgages. Financial concerns in the United States have expressed themselves as favourable to such a development.

4.

In the Dominion of New Zealand the problem seems to have been satisfactorily solved. After a complete investigation of European agricultural credit-systems by a commission, that colony came to the conclusion that a plan to furnish cheap money to farmers came well within the scope of practical politics. It was realized there, that no private concern or corporation could loan money to farmers for a sufficiently long period, and at a sufficiently low rate of interest, to enable him to meet his interest and principal payments from the earnings of the farm and, at the same time, to take care of his living expenses and necessary improvements. It was felt, that the repayment of loans to private enterprise would often be made by farmers at a sacrifice. The people of New Zealand

thought, that it was most desirable to enable their rural population to surround themselves with comforts and conveniences that would make life on the land specially attractive, all of which required moderate capital. In 1894, legislation was passed by the Parliament of New Zealand, entitled "Advances to Settlers Act." Capital was raised in Europe on Government guaranteed bonds and loaned to farmers through a chain of "Advances to Settlers Offices." This organization was contemplated under the Act. In 20 years, over seventy million dollars was loaned on this basis, the rate of interest being 1% over the actual cost of the money to the Government, which was to cover working expenses and flotation charges, also to create a reserve fund. Nearly two million dollars now stands to the credit of this fund. The system is not on a co-operative basis inasmuch as each borrower is only responsible for his own liability. The 1% feature, however, provides against losses. So far there have only been 35 foreclosures under this Act; no losses whatever have been sustained, and the actual cost of the administration has been reasonable.

It is interesting to study the result of this rural credit system. When it went into effect the per capita value of domestic products exported annually from New Zealand amounted to approximately $30, while in 1912 they had risen to $111.78, which was then supposed to be the highest of any country in the world. The number of savings-accounts and amount to their credit are also

reputed to be the largest in the world in proportion to population. The whole agricultural situation in New Zealand has been transformed. The farmers have built good houses and have put large areas of land under cultivation. Live stock development has received a tremendous impetus and the introduction of modern sanitary equipment on New Zealand farms is now almost universal.

5.

In Canada we have made spasmodic efforts to deal with this problem. The Province of British Columbia has provided very advanced legislation on the subject of long-term credits. Unfortunately, the war situation has had an adverse effect on the working-out of the scheme. The Province of Manitoba has also made a notable contribution to the subject and has loaned some $2,000,000 under their Act. The Province of Alberta has likewise provided legislation, which it is now rumoured is being recast and improved. All this, however, is merely begging the question. What is required is a thorough Federal investigation of the whole subject, not so much with reference to the rural credit systems of other countries, but with a very complete understanding of the particular problems that confront us in the Dominion of Canada. Legislation in this matter should then be passed by the Federal Government, based on co-operative effort with the Provinces. It is clear that the Dominion Government can borrow more advantageously in the world's market than the

Provinces, which would mean cheaper money to the farmer without any additional expense to anyone. The whole subject should be dealt with in a statesmanlike manner and with a clear comprehension of its tremendous importance to the agricultural advancement of Canada.

CHAPTER SIXTEEN

THE MAN ON THE LAND

1.

IN dealing with the vital subject of agriculture in Canada, I experience the refreshing feeling of being on very familiar ground. There is, however, so much that might profitably be said and so little space available, that my main difficulty seems to be to decide what to leave unsaid. I am not going to inflict on my readers a tiresome lecture on Canadian agriculture. It would be out of place in this volume. I am rather inclined to confine my observations to a consideration of the farmers' place in the scheme of things, and shall endeavour so to present his case, that his views may receive sympathetic and understanding support at the hands of urbanites.

I wish I had the power to impress the reader profoundly with the all-important idea, that successful agriculture is the only sound foundation upon which a newer and better Canada may, in course of time, be built. I do not wish to assert, that agriculture is the foundation of the wealth and greatness of all countries, although many students of political economy adhere to this belief and I could perhaps myself produce reasonable arguments in support thereof. It is sufficient for my

purposes if I can make it clear, that it is so, at least, as far as Canada is concerned.

The agricultural resources of Canada defy, in point of potential wealth, all effort of imagination or comprehension. This statement is literally true. Our present agricultural production is a mere drop in the proverbial bucket, in comparison with our future possibilities. The value of United States farms, equipment and stock is roughly 50 billions of dollars. The farmers of that country sold annually prior to the war, dairy products to the value of some 600 millions; poultry products, 250 millions; wool, 66 millions; domestic animals, 1,600 millions, and farm crops, six billions. The total of these items alone runs into eight and a half billions.

The following is Canada's agricultural production for the years 1915 to 1917. This official estimate represents the gross value only.

	1915	1916	1917
Field crops	$825,371,000	$886,495,000	$1,144,637,000
Farm animals:			
Horses exported	1,842,000	4,701,000	4,385,000
Beef cattle, 20 p.c. of estimated total value	30,500,000	41,300,000	54,119,000
Sheep, 20 p.c. of estimated total value..	3,262,000	4,200,000	7,115,000
Swine: Number, plus 16 p.c. for animals born and slaughtered within the year, 125 lb. meat per animal (1915, 8½ cents per lb.; 1916, 12 cents per lb.; 1917, 17.33 cents per lb.)	38,354,000	60,000,000	90,950,000
Wool: 12 million lbs., 28 cents, 1915; 37 cents, 1916; 59 cents, 1917..	3,360,000	4,440,000	7,000,000

	1915	1916	1917
Factory cheese and creamery butter	51,482,000	62,479,000	74,487,000
Dairy butter: Quantity estimated on basis of Census, 1911; price, 25 cents per lb. in 1915; 27 cents per lb. in 1916; 30 cents per lb. in 1917	45,000,000	47,000,000	103,072,000
Home-made cheese: Quantity estimated on basis of Census of 1911; price, 15 cents per lb. in 1915; 18 cents per lb. in 1916.	278,000	351,000	263,000
Whole milk: Quantity estimated in Census Report of August 23, 1917; price at 6 cents per quart, 1915 and 1916; 7.5 cents per quart, 1917	49,245,000	42,986,000	55,000,000
Fruits and vegetables, say	35,000,000	35,000,000	40,000,000
Poultry and eggs, say ..	35,000,000	35,000,000	40,000,000
Gross total value..	$1,118,694,000	$1,223,952,000	$1,621,028,000

Prior to the war Canada's total industrial production, including all the products of our mines and forests, was approximately a billion dollars. Study the above record of what agriculture has done, draw the comparison between industrial and agricultural production, then take a swift look at the future and realize the significance of this fact: —In the three prairie provinces alone, Canada has an agricultural area greater than one half of the total agricultural area of the entire United States!

Try to visualize what it all means—what stupendous potential wealth lies dormant in those black acres west of Lake Superior. Remember, too, that this land has scarcely any equal in point of productiveness and lasting qualities. How small Can-

ada's vast war-debt looks, beside a season's possible production of this area! And do not lose sight of what all this ultimately means to the industrial development of Canada, if the goose that lays the golden egg is not killed by misguided efforts.

How, in the face of these facts, can any sane person discuss Canada's future development as presenting any serious problem, beyond her agriculture? That stands first. With its solution, minor problems are automatically solved. Conflicting interests dwindle into absolute insignificance from this standpoint, and we must bend our energies to making Canada prosperous along the path that nature has so clearly indicated. We must all get down to bed-rock and think in terms of agriculture.

2.

When the boy approaches the end of his school career, his father, if he is a prudent, sensible man, will ask him: "What are you going to be?" By that time he will probably have shown a distinct aptitude or preference for some special profession or occupation. A youth who drifts from one occupation to another seldom develops into a creditable and successful citizen. Likewise, it is well for a virgin country, to take stock of itself in good time. Nations, like individuals, must select their occupations. The question must be answered: "What are you going to be?" Your statesmen must answer for you and determine whether your desires can be realized, and put you in the way of attaining your ambition. Canada now, is at the parting of the

ways. What is our leading industry going to be? This must be determined, once and for all time.

Switzerland and Italy are frankly concerned chiefly with attracting tourist traffic. They are the great holiday countries of Europe. The legislation and administration of these countries is shaped to attract well-to-do people, on pleasure bent. On the other hand, Denmark, Holland, New Zealand, Australia and many other countries similarly situated, realize, that agriculture and live stock production must always be their chief industries. No stone is left unturned to promote, in every legitimate way, the admitted primary industry. Other countries, possessing limited agricultural areas, but with abundance of raw material, build up great industrial systems to keep their populations profitably employed. Countries like Russia and the United States are of so enormous an extent, of so varied climates, and so rich in both agricultural lands and raw materials, that they are, or will be, almost self-contained.

It is a fair comment, that the human being is not placed on earth merely to truck and trade and cheat. We surely cannot be wholly materialistic. Canada's ideal might well be to promote a happy and contented agricultural population, even at the sacrifice of certain more or less artificial industries which we have been endeavouring to nurse into active and profitable existence, ever since the days of Confederation. Let us ask ourselves in all seriousness whether it is worth while to run the risk of strangling our agriculture for the sake of

these industrial weaklings adopted by the State. Let us rest absolutely assured, that we cannot have it both ways. If the farmer is to be deprived of his best markets and has to divert his hard-earned profits to subsidize industry, he cannot prosper. We must make our choice.

3.

Just as a mere matter of interesting speculation, does it not seem paradoxical, that Canada, which has been so abundantly blessed with agricultural wealth, should deliberately set about to create in this fresh new country the very conditions from which the European has fled in terror and disgust? Are we to conclude, that there can be no human happiness without unsightly chimneys, belching forth their poisonous smoke? Do we enjoy the spectacle of streams of pale, toilworn humanity, wending their weary way into the slums and tenements apparently inseparable from this much vaunted industrial development? Is it worth the price of destroyed agriculture? Have we become such abject worshippers of the golden calf that we are ready to sacrifice everything that makes nations sound and great? Other countries have found it possible to become reasonably prosperous and contented on a basis of agricultural production. Such industries as naturally come into existence wherever agriculture is prosperous will automatically follow.

Fifty-six per cent. of Canada's population makes its living directly from the soil. A large percent-

age of the production of the other basic industries, mining, lumbering and fishing, is also absorbed by the farm. Out of the total value of our manufactured articles in 1915, a fairly normal year, less than one-third went into our external trade. Half a million people found employment in these industries. Four million people lived directly off the farm. Heaven only knows how many indirectly gained their livelihood off this enormously preponderating section of the community. It is surely well within the mark to assert, that at least 90 per cent. of the population of Canada, be they engaged in trade, industry, transportation or in any other line of human endeavour, depend absolutely on our agriculture for their daily bread and the prosperity of their undertakings.

The point I want to impress upon the mind of the reader, is the outstanding economic importance of agriculture in Canada. I want to make it clear, that Canada's prosperity depends entirely on a prosperous agricultural population. Consequently, sacrifices can safely be made by the general community to assist agriculture, while undue burdens on agriculture should not be tolerated for a moment. These are points which our public men must keep constantly in mind. Without these guiding principles in administration, Canada will remain in her present rut.

In Canada, as elsewhere, the really influential citizen lives in town. In Canada, as elsewhere, the most appalling ignorance of rural affairs prevails amongst our urbanites. Once these good

people could be brought to understand and sympathize with the man on the land, a new era would dawn. The education of our urban dweller, therefore, I regard as one of our great problems, requiring urgent attention.

4.

Just prior to the war we had a striking object lesson in Canada upon the economic effect of a languishing agriculture. It apparently created no lasting impression upon the public mind. In 1914 Canada was, beyond all doubt, drifting with the tide towards a veritable precipice. A widespread financial panic was impending, which might have swept into oblivion many financial, industrial and commercial enterprises in Eastern Canada. It would, like an avalanche, have gathered greater and greater force on its destructive path. Who can say where it would have ended?

Almost at the psychological moment, the great European war broke out and to it was conveniently attributed the gathering clouds on the domestic horizon. Our captain of industry or financial magnate, when in confidential mood, will now readily admit, that the war was only a contributory cause, which, however, in the end became our financial salvation. Exigencies of war enabled us promptly to do many high-handed things to save the situation which otherwise could never have been justified, such as declaring general moratoria, facilitating drastic retrenchments, absorbing surplus workers in our military forces and adopting many other

extraordinary heroic remedies to save us from the soup kitchen and widespread liquidation and insolvency. Then came the turn of the tide ushering in war orders, high prices, increased agricultural and industrial production and rapidly mounting exports. In a twinkling almost, we sailed into the smooth waters of sleek, opulent prosperity.

What were the causes that had brought Canada to the very brink of panic in 1914? It is of national importance that we should dissect and locate them, although I am aware, that we do not talk about these unpleasant matters in polite society nowadays. The recollection of what might have been is a groteque nightmare which we would fain consign to the inner-most recesses of our memory. Why deliberately rattle the bones of our family skeleton? But, dear reader, it is good for the soul to bring it out of the dark cupboard into broad daylight and examine it closely. It has a lesson of vast significance for Canada. It would assuredly tell us, if it could, that a multitude of our Canadian business houses and industries were tottering drunkenly in 1914 owing to the simple and sordid fact, that they could not collect their outstanding accounts in Western Canada because, speaking generally and vulgarly, the Western farmer was "dead broke" and could not, therefore, pay his bills amounting in the aggregate to many millions of dollars. World prices for his products had been depressed for some considerable time and, to cap the climax, he had had a succession of disastrous crops.

Homesteaders who were able to do so had abandoned their farms or were getting ready to give up the fight. Immigration had ceased in sympathy with the unfavourable agricultural prospects. Farming was on "the toboggan." New settlers who had purchased land could not meet their deferred payments. The crazy townsite, land, oil and other "booms," nourished largely on outside capital and engineered by outside gamblers, had collapsed ingloriously. Centres of population and the more recently settled farming districts were becoming depopulated and almost every emigrant left undischarged liabilities behind him. Western towns and cities were making frantic efforts to stave off receiverships at the instance of bondholders, and our banks were becoming decidedly nervous and were calling in loans wholesale. It is a ghastly retrospect, but now, at the height of our prosperity, is an appropriate moment to remember it all. Then came the outbreak of war, a bumper crop in 1915, high prices for wheat and live stock—and the West was off again on the high road of prosperity carrying industrial Canada along!

The Canadian farmer has now enjoyed a few years of prosperity and has been able to discharge his debts—which he always does when he can. He is able to buy more freely and eastern industry and business, consequently, are flourishing. It is curious how persistently our minds are focussed upon the present to the utter exclusion of the unpleasant past and all its lessons. We were, presumably, functioning under normal conditions in Canada until

1915. We have been, and probably shall be, functioning abnormally from that time until about 1920, when we may expect to become normal again. We have seen what "normal" meant up to 1915. Are we going to court a repetition of such a state of affairs? Or will the majority of our leading men frankly acknowledge that, in the light of past events, there can be no prosperity in Canada that does not have its genesis in the soil of our country? Shall we cease sneering at the farmer when he gives expression to his well-founded anxiety about the uncertain future, and perhaps makes reconstruction proposals that may not appear strictly orthodox? Rest assured, that the situation does not call for supercilious criticism or offensive imputations. Every thoughtful and patriotic citizen, irrespective of trade, profession or political affiliation, will be well advised to study the real difficulties confronting this country and to contribute his quota towards the solution of the many vital problems that surround agriculture, in the east as well as in the west.

We cannot, of course, control wind and weather and ensure favourable crop conditions. That is in other hands. But we can, if we will, do much to ensure that when the farmer has anything to sell he shall get it to market in good condition and at reasonable cost, that profitable markets shall not be artificially closed to him, that, in fact, the returns from his business shall be such that he can survive the lean years and thus keep the wheels of industry moving steadily to the everlasting advan-

tage of everyone who calls Canada his home. It is not a class question. It is our one, great national problem. We might easily have had four to five million people west of Lake Superior by this time, with a corresponding industrial development east of the Great Lakes. They are not there because, since Confederation, we have administered that western empire as a great Canadian estate under absentee ownership. We have had majority rule in Canada with a vengeance!

5.

Agriculture may well be termed "the great gamble." The farmer's occupation involves a life of unremitting toil. He must compete in the open markets of the world with farmers of other countries and climates—the black, the brown, the yellow and the white races who have been working at high pressure for centuries and will probably go on doing so for many more generations. Take it one year with another, our farmer makes a fair living and nothing more. And, besides, he has considerable capital invested in his business, on which he draws only a very moderate return. He is at the mercy of the capriciousness of the seasons. Nothing he can do will enable him altogether to forecast results. Neither can he fix the values of his products. If the season is good in Russia or the Argentine or India, the Canadian farmer must sell his wheat at a discount. The cost of producing it does not enter into the calculation at all. He comes into the game, but other people play the cards.

I strongly entertain the opinion, that there are many, many small farmers in Canada to-day, who would gladly exchange their present uncertain occupation for that of the railway man or other unionized employee, with his short and regular hours, his certain pay, absence of business worry, and freedom from that continual pressure for further capital investment, which absorbs every hard earned cent the farmer contrives to set aside in good years, and makes his life a burden in bad ones. The demands of his business for more and more capital investment also effectually prevent his enjoying the ordinary modern improvements and home comforts that almost every town-dweller would consider absolute essentials in life. If the farmer is doubtful on this point, just ask his wife. She has studied the deadly parallel and appreciates the differences between her daily life and that of her sister in town, as far as physical ease, comforts and recreations are concerned.

The farmer is the willing, sweating beast of burden of modern society. Politically, he is a nonentity. He has scarcely yet learned the art of team work. Socially, the town dweller is inclined to regard him as inferior. Economically, he foots the bill for the whole nation. He is the foundation, everybody admits, and like the literal foundation, he carries the entire dead-weight of the whole structure. He is the national paymaster-general. Men and masters in the cities may fight and squabble over pay and over hours and over principles, but when the settlement is finally made, it is the

farmer, the greatest ultimate consumer of manufactured goods and of transportation, who foots the bill, because he cannot pass the burden on to any one else.

6.

The high cost of living is a safe topic of conversation these days. It holds everybody's interest and attention. As usual, Farmer Hodge bears the brunt of the criticism. How frequently one hears an argument end with the profound observation: "The farmers must all be getting wealthy." A standard weekly household budget has been worked out by the Dominion Department of Labour in connection with cost of living investigations. In the last month of the year 1918 the weekly average amounted to approximately $26.35 for a family of five. This cost was distributed as follows: Rent, $4.85; Clothing, $4.90; Fuel and lighting, $3.06; Meat and meat products, $4.24; Bread and flour, $1.87; Groceries, $3.10, and produce generally supplied direct from the farm, $4.33. We might safely add another $5.00 for drugs, doctor and miscellaneous expenses, which would run the budget over $30 out of which the farmer receives directly a maximum of $4.33 and, indirectly, a mere fraction of the meat and bread expenditure. Our city consumers should study this statement and revise their views.

But is the farmer getting wealthy? He is undoubtedly much better off than he was some years ago, by reason of higher prices for his products,

which are not quite offset by higher cost of labour and of general operations, which constitute a very considerable item. But it is important that the layman shall understand the situation. Professor Leitch recently made a farm survey of Oxford County, Ontario. He assumes this area to be fairly representative of the province. He found that 450 Oxford dairy-farmers, investigated by him earned on an average, a little below $1,200 per annum as a result of about 13 hours work per day for seven days a week, and also including the work of their wives and younger children. These figures are absolutely vouched for and are based on painstaking inquiry on the ground. So much for Eastern Canada.

As far as the West is concerned, I fortunately have actual figures from one of our large Western farms, of which I am part owner and, therefore, can vouch for the correctness of my information. Very exact cost records have been kept in connection with this enterprise ever since its inception. We operate on 4,000 acres and have been in business since 1912. Our gross operating cost increased from $14,252 in 1913 to $31,572 in 1917 on practically the same area. We produced about 39,000 bushels of wheat in the former year at a cost of 37 cents a bushel and, under the same management, 42,000 bushels in 1917 at a cost of 83 cents a bushel. In 1918 owing to crop failure the cost was, of course, abnormal and a fair comparison cannot, therefore, be established. For the benefit of those who are interested, I may mention, that in 1918 our

expenses were $22,000 for which we practically received no return whatever. Our operating practice is very similar to that of the average farm and may be accepted as a fair indication of the volume of increase in general cost of farm operation in Western Canada.

There is, however, another aspect of the cost of living grievance worthy of serious consideration. The late J. J. Hill summed the case up as the "cost of high living." He was a famous coiner of epigrams. The town consumer now is bemoaning his fate and looking longingly back to the days when a hundred dollars a month was equivalent to decent comfort. That period may fitly be catalogued as the days of the "high cost of low living!" Canada has paid an extravagant price in postponed and arrested national development for the halcyon days of ten cent eggs and butter, twelve cent poultry, fifty cent wheat and apples at a dollar a barrel, all of which spelled white slavery on the farm, unmitigated serfdom. With prematurely broken-down men and women, who never knew what recreation, decent comfort and household conveniences meant. We paid the price also in farms abandoned by the old people, in utter despair, following the rush cityward of all the young farm men and women, who wisely concluded, that the worst the city had to offer in the way of drudgery, low pay and indifferent living surroundings, was vastly superior almost to the best the farm could do for them. Even under those wretched conditions, some farmers made money. One is never permitted

to forget that! But it was generally accomplished by practising abject penury, which made the farmer of that day a by-word, and at a cost in sweat and blood that the present generation would scorn to emulate. And it is well they should.

I strongly entertain the hope that happier days are now in store for the man on the land. He has of late years received a reward for his work, that will presently enable him to put more brains and less brawn into his effort. He will be able to enjoy the comforts of modern conveniences in his home and an occasional holiday. The moderate price motor-car and the rural telephone are banishing isolation. His social standing will be improved and the farm will offer sufficient inducements to the young people to anchor them to rural life. In fact, everything points to the regeneration of agriculture. These improved conditions will finally be reflected in the industrial life of the nation. The farmer will be a better customer for manufactured products than hitherto, and Canada will gradually approach a much sounder and more normal industrial development than we have enjoyed up to the present.

Decidedly, Canada cannot afford to pay much less for agricultural products than the present scale. Let us level up to that rather than attempt to reduce it. Let us also study and simplify our intricate and expensive system of distribution, so that the farmers' produce will reach the consumer without the intervention of many unnecessary middlemen. There, in my judgment, lies the chief

and legitimate grievance of the consumer today. But the consumer is himself responsible for the high cost of many food products. The general demand for highly refined package goods, whose intrinsic food value in comparison to price is absurdly small and whose popularity rests on nothing more substantial than striking labels, expensive containers and forced publicity, is a fruitful source of unprofitable expense; also the abuse of retail delivery and of credit, the outgrowths of our modern "house-keeping-by-telephone" system. Let us not wish it all on the farmer!

7.

I realize I have drawn a pretty dismal-looking picture of the farmers' life, and my intimate friends will smile incredulously, having in mind my own successful agricultural enterprises. These, however, are conducted on a large scale and backed by ample capital and are not in any way representative of average farming. I refer here to the ordinary small farmer in the East and to the man who loads his wife and babies and household goods on a wagon and goes out on the prairie to battle against nature. There are, however, compensations. The farmer makes wealth for himself and the State without levying toll on his fellow-man. His is altogether a beneficial and humane occupation, a blessing to all, a curse to none. He works in partnership with God Almighty and, if he does not prosper in the worldly sense as greatly as men in other occupations, his compensating advantages

lie in the simple, healthful and independent life. With the great poet, Longfellow, we may well say:—

"Happy he whom neither wealth nor fashion
Nor the march of the encroaching city
Drives an exile
From the hearth of his ancestral homestead."

No nation can attain greatness, nor remain great, without a steady influx into the hives of commerce and industry of the red blood from the farm. The national importance of promoting a prosperous rural life cannot be overestimated. Sir H. Rider Haggard says, on this subject:

. . . . I will go further, and repeat what I have said before in other books—for it is one of the great objects of my life to advance this truth for the consideration of my fellow-countrymen—that the retention of the people on the land should be the great, and even the main, endeavour of the Western nations. Nothing can make up for the losts of them—no wealth, no splendour, no 'foreign investments,' no temporary success or glories of any kind. At any sacrifice, at any cost, all wise statesmen should labour to attain this end. The flocking of the land-born to the cities is the writing on the wall of our civilizations. This I have seen clearly for many years, and if I needed further evidence of its truth, I found it in plenty during my recent researches into the social work of the Salvation Army, which brought me into contact with thousands of waste mankind—the human refuse of the towns.

Speaking generally, in the villages such folk scarcely exist. But in the cities, whither so many flock in faith and hope, they are manufactured by the hundred. For most of these the competition is too fierce. They are incompetent to cope with the difficulties of what is called high civilization. At the first touch of misfortune, of temptation, of sickness, they go down, and but too often fall, like Lucifer, to rise no more. The shelters, the jails, the hospitals, the workhouses, the Poor Law returns, all tell the

same story. Moreover, what class of people are bred in the slums of Glasgow or of London? Yes, in Glasgow, where I was informed not long ago that one out of every twelve of the inhabitants has no home, but sleeps at night in some refuge or common lodging-house. . . .

There has been in Canada a noticeable tendency on the part of our rural people to flock to the towns and cities. In 1901, according to census figures, 37½% of our population lived in the towns. Ten years afterwards the proportion was 45½%. This is not a healthy development, but the cause is perfectly clear. Agriculture has, as previously stated, not been sufficiently attractive. There has not been enough profit in it and the present conditions of farm life will not stand comparison with town life. That is the case in a nutshell. Our young people know it and have left the farm. The main trouble undoubtedly has been, that there is more "easy money" in the towns and the "bright lights" are attractive.

8.

What are we going to do to correct this admittedly serious state of affairs, to attain and preserve a healthy balance of population? There is no single thing that can be done which will accomplish this. There are many things that could, and should, be done, some of which have been dealt with elsewhere in this volume. Broadly speaking, the remedies lie in the towns rather than on the farms. This, of course, sounds like rank heresy. I can picture in my mind's eye our suc-

cessful business-man, ponderously rising to his feet, deep indignation stamped upon his features. He is about to reiterate the conventional arguments slating roundly our slovenly farming, the implements unprotected against wind and weather, the burning of strawstacks, the persistent production of cereals to the detriment of animal production and so on and so forth *ad nauseam*.

I have often thought, that it is a most extraordinary thing that a man of business will, with the utmost sang-froid, criticize farm management and policy, when he would stand aghast if his hayseed brother assumed a similar attitude with regard to his business. Everybody welcomes an intelligent interest in rural affairs on the part of our town people. That is what I am pleading for. But it must not be dictatorial, nor must it assume, as a starting point, that all farmers are fools. There is no business or art practised anywhere requiring wider technical skill and knowledge. The farmer is part capitalist, part manager, part mechanic, part scientist and part labourer. He cannot be expected to know it all, from browbeating a stupid or timid bank manager to exercising the function of midwife to the cow with the crumpled horn. Let us be tolerant. He could probably make a much better fist at running the bank, than the bank manager could at running the farm.

Nevertheless, there is a tremendous opportunity for education along scientific and technical lines, among our Canadian farmers, just as there is in connection with industry and commerce in our

towns. The rural problem, however, is much more difficult. We have now in Canada, with a little improvement here and there, all the facilities, Federal and Provincial, for imparting theoretical and practical agricultural instruction and information to our farmers. We are, in fact, not far from being splendidly equipped. The unfortunate side of it all is, that the average farmer makes little use of it. Everyone who has had experience in conveying instruction to rural communities will agree. A few enthusiasts in each community, too often not the most solid and practical element, can always be counted on at farmers' meetings, but our real problem lies in bringing the farmer to the fountain of knowledge. Our agricultural instructional system is like the church—there is spiritual consolation for all, but comparatively few seek it. Our system is perhaps too self-centred. Our officials are too anxious to embody their conclusions in elaborate reports, which nobody reads, and are not sufficiently alive to using the press, nor perhaps sufficiently skilled in reducing their information to readable limits. Our whole scheme of agricultural publicity, Federal and Provincial, needs overhauling very badly.

9.

As I have said, it behooves every Canadian to be intelligently interested in the welfare of the "man on the land." A true realization of the fact, that their interests are mutual, and an honest endeavour to understand his problems and handi-

caps, and to create a well-informed public opinion on the subject of rural affairs, would be a tremendous step forward in Canada and would be enormously helpful towards solving many of the important general problems that face us all at the present time.

In dealing with the question of an improved and extended agriculture in Canada it is important to avoid the pitfalls into which so many writers fall who deal with the subject purely on a theoretical basis. Innumerable reports have been made on agricultural conditions and practices in other countries and unfavourable comparisons are drawn when applying these object lessons to the agriculture of Canada, particularly to that of the West. The farmer is held up to the public gaze as an unprogressive "hayseed." If he would only adopt the system of Great Britain, Holland or Denmark all would be well! What he wants is more "science," more "brains"! Eloquent orators picture an agricultural Utopia in Canada, a new era, if only our farmers would heed the plain lessons taught the world by the farmers of some distant country.

It is of prime importance to realize, that object lessons and inspiration in agriculture can seldom be drawn from other countries, even where the climatic conditions are fairly similar. The controlling factor in agriculture in all countries is markets. In Great Britain the farmer is overwhelmed with the same sort of good advice that is gratuitously given the Canadian farmer. He is

told that it is an everlasting reflection upon his management, that so much butter should be imported into the tight little island from Denmark, Siberia and other countries. These well-intentioned mentors entirely overlook the fact, that the British farmer has a much superior market for his milk and cream, in the enormous cities and industrial centres that have sprung up during the past century, than he could obtain by converting this commodity into butter and cheese.

We are asked here why our Western farmer grows so much wheat to the exclusion of other products, notably those of the dairy. The explanation is perfectly simple to those who understand. He is merely following the line of least resistance as we all do. Wheat pays fairly well, comparatively speaking, on our new lands. It involves less hand labour than other branches of farming, because a greater proportion of the work is mechanical. Grain is essentially, naturally, and logically, the first crop off new land and gives the quickest return. It takes less capital to produce than any other crop. Several other reasons could be given, but one more is perhaps sufficient, and it is this: the mere fact that wheat is being so largely produced is fairly good evidence, that it pays better than other crops in our present state of national development. This should be wholly convincing, unless we are to accept the theory, that our wheat growers are lunatics or wholly incompetent, which is hardly safe.

Besides, with the present scarcity of competent

labour, who would undertake the heavy responsibilities of the dairy farm either in the West or in the East? Men simply will not work the long hours,—Saturdays, Sundays, holidays—incidental to this branch of farming, as long as they can get work, at the same pay, with Union hours, in the towns. Can you blame them? In the end, the farmer's wife has to take over the job, and trudge to the cow-stable in the slush and snow, bucket in hand, and milk cows by the light of a lantern, morning and night. When you pay 75c a pound for butter, you dainty, pink and white, altogether charming city women, think of that!

10.

A few observations on the agricultural labour situation confronting us, may be timely. Let us have a good look at this problem. The organization of all classes of labour is proceeding apace. Even the lower classes of unskilled labour now have their own organizations, which undertake to bargain for and regulate hours of labour and rate of pay. In New Zealand and Australia, agricultural labour has been organized for years along very rigid lines. Compare the lot of agricultural labour in Canada with the organized labour of the cities and what do we find?

The hod carrier appears at his job at 8 a.m. and works until 5 p.m. with an hour off at noon. On Saturday he quits at noon and has a rest period until Monday morning. His home, however humble it may be, has the usual modern conveniences.

He is able to associate with his fellows and enjoy all the attractions of the city, including the movies. His wages are generally adequate to the extent of enabling him to live and dress decently. His organization sees to that.

The farmhand rises from his slumbers at 5 a.m. and does his chores. He has his breakfast at 6.30. His team goes out to work at 7 a.m.; more chores at noon; steady work until 6 p.m.; then supper and more chores. When the day ends he has probably worked from 14 to 16 hours. He frequently sleeps in a loft. He has very inadequate facilities for keeping himself clean and in a great many instances he lives in a mess that his city brother would not put up with for a minute. He tumbles to bed, dead tired, when the day's work is done. By comparison, it is the life of a serf. No recreation, no time for self-improvement, whilst his wages are probably much inferior to what the city labourer is able to command.

To argue that competent farm labour is not entitled to the same remuneration as a hod carrier, is the rankest kind of nonsense. A competent farm hand, able to look properly after live stock and do ordinary farm work, is a much more skilled man than even the carpenter or bricklayer receiving five to seven dollars a day. How long will these conditions prevail? When will the agricultural labourer demand, first, equal wages with city labour and, secondly, a bonus to compensate him for his isolation and inferior living conditions? And when that time comes, what will the Cana-

dian farmer do? In his present circumstances, he cannot meet those demands and live. He cannot pass the burden on to the consumer.

11.

I notice in the press a message to the farmers of Canada from the Rt. Hon. Mr. Prothero, for whose judgment I have tremendous respect. It is to the effect that we should develop our chilled meat trade. This, of course, involves the finishing in Canada of our beef and mutton, which we should be able to do more cheaply than it could be done in Great Britain. We must hope for better things, but in the past, it has not perhaps been a particularly attractive business.

The profits in live stock feeding may be divided into the direct and indirect. The indirect returns are obvious. The farmer gets the manure to keep up the fertility of the land. By feeding them at home, he saves hauling his various field crops to market. He is able to employ labour all the year round instead of only for the summer season. Cattle feeding in Great Britain is practically down to a basis where the feeder only expects to get a fair price for the feeding materials raised on his farm, and his money back for those he has actually purchased, and to take his profits out entirely in the shape of indirect returns, principally, of course, the manure. Even in the United States, east of the Mississippi River, the feeding industry is very frequently conducted on a similar basis. Where hogs follow steers, their market value may repre-

sent a by-product profit. I have often wondered how our Canadian manufacturers would like to conduct business on such a margin? Fancy, asking them to take their sole profit in the shavings and iron filings of the shop!

In any other line of manufacture or production of any sort, it is a commonly accepted axiom, that the performance of each operation required to bring any commodity to its finished state, is properly rewarded according to the amount of outlay, time and skill involved. Not so in live stock feeding, however. The cost of raw material, labour and value of the finished product bear no necessary relation to each other whatever. As usual, the farmer has to be the gambler and bear all risk. No business man would entertain a proposition like that, for a minute. The gamble frequently is, as to whether or not he gets his money back as well as his indirect profit. And then he has to run the risk of disease, accident and fluctuating markets.

Are such market conditions satisfactory? The United States feeder replies in the negative, and a study of pre-war price statistics certainly bears out his contention. In Western Canada, owing to the lower price of grain, we generally do expect a direct return on feeding, but even here the margin, prior to the outbreak of the war, was so small that our risk was not compensated for and, as years go by, the margin may become narrower than ever. This is the situation confronting our feeders and farmers generally, that we should like to see cleared up, as far, at least, as it can be cleared up. It is

freely stated amongst cattle feeders in the U.S., that if they have many more years like 1914 and 1915, the cattle-feeder will be looking about for someone to feed him!

12.

Canadian farmers demand free trade with the United States in cereals and animal products. They recognize that admission to the markets of that country for their products is absolutely essential. This is unquestionably the chief issue. At the present moment, Canadian agricultural products reach the United States free of duty. That was the work of a democratic congress. What the present republican congress will do in this matter remains to be seen. It may re-enact the provisions of the Dingley tariff.

Otherwise well-informed people often wonder why our West has been so slow in developing. Those who have personally assisted in this disappointing process entertain no illusions on that subject. It is clear as daylight. Until the Dingley tariff was repealed a few years ago, practically every head of cattle, sheep or hog, every fleece of wool, every hide, in fact, every animal product of the West was handicapped in seeking an outside market. The price realized on every item of such products was precisely twenty-seven and a half per cent. less than its proper selling price. Or, to put the case another way, the market value was fixed in Chicago and it cost us 27½% to get in there. The market in Canada was based on the Chicago price, less the duty.

On the other hand, on every tool and implement the Western farmer bought, and on his clothing, boots and various other items entering into his daily living and work, he had to pay about the same amount of duty, directly or indirectly. He was penalized coming and going.

So we find, that John Smith, farmer or rancher, who, in the days of the Dingley tariff, ranged his live stock in the Sweet Grass Hills, just north of the International Boundary in Alberta, sold his $50 steer for approximately $36.25, while John Jones, who ranged his cattle a mile or so away, but south of the magical line, was able to get the full value. And in addition the fortunate Jones was able to purchase his haying machinery at 15% to 20% less than his Canadian neighbour. Is it any wonder that agricultural development was slow in Western Canada?

For years I had wool to sell in the West. The same wool that to-day brings the flockmaster 68c per pound, I have sold at 7c a pound! We have about two million sheep in Canada. Our total clip is about 12 million pounds of wool per annum. The Canadian demand is, and always has been, far beyond the home production. The Canadian buyers paid the usual market price in Bradford, England, for the surplus they required. The cost of the imported wool laid down in Canada was, of course, very much higher than what these same mills, or their agents or representatives, paid for the wools in the West. This state of affairs only lasted until the Wilson tariff law went into effect

and we were given free admission for our wool into the United States. This at once improved the situation from the Western standpoint, for with the U.S. buyer in the field the Canadian market was not the only one available and our wools advanced 27½% at once. This criminal attitude of the Canadian mill owners apparently brought its own punishment in the end. They made the blunder of depressing prices far below what "the traffic would bear." Hence our depleted sheep stocks today, all over Canada, and Canadian mills are now forced to pay a premium for foreign wool.

I cannot resist introducing a personal experience, which tells the story better than statistics. The year before the Dingley tariff was repealed and while Canadian wool growers were still compelled to sell at the prices dictated by a small group of protected pirates, my concern had a clip of 50,000 lbs. of wool to dispose of. We decided we would not be held up. We sent to New South Wales for a wool press and bales, secured the services of a New Zealand wool sorter and classifier, erected a very primitive wool scouring plant on our property, hand-scoured our wool and turned it out according to the best Australian traditions and shipped it to the London market.

I went to England and saw the shipment sold. It created some sensation and realized within a fraction of the highest price reached at the September sales, in competition with wool from every country in the world. Our Canadian buyers that year had the satisfaction of finally paying the full

price and probably bringing this wool back across the Atlantic into the bargain. We actually did better, after paying all these unusual expenses, than had we accepted the best offer at home. These are the problems the Canadian farmer has had to face and solve,—if he could. He hates tariffs and with good reason.

13.

Present market conditions for animal products are, of course, quite satisfactory to the farmer. The repeal of the Dingley tariff opened up the United States market barely in time to save our West. Then came the war and war-prices. The latter situation is obviously an abnormal development. It is not, by any means, safe to settle down to the comfortable conviction that we shall have unhampered entry into the United States for our agricultural products forever. As is the case in all protected countries, the tariff south of the line is simply a political football. With the republican party in power in the United States again, the pressure to restore the tariff on agricultural products there is going to be very strong. I should not care to predict the effect west of Lake Superior, should such an eventuality occur. It might shake Canadian Confederation to its very foundation. Some years ago land in the west was cheaper than it is now and stockmen were able to run their herds and flocks on the public domain without cost. That day is pretty well over and a larger capital investment in land is now required in connection

with animal husbandry. The economic conditions are not what they were, and never will be again. The farmers of Western Canada would not tamely submit to utter destruction, which would be the inevitable result of exclusion from the markets of the United States, under present conditions. These, I realise, are serious conclusions. I appeal to all Canadians to study the situation sympathetically.

CHAPTER SEVENTEEN

THE RETURNED SOLDIER AND MATTERS MILITARY

1.

CANADA has, even in her most prosperous periods, her seasonal unemployment problem incidental to all countries with climatic extremes. No safe conclusions can, therefore, be based on the state of the labour market during the off season as to the ability of the country to absorb the large number of men returning from the front. They are not, fortunately, in dire need of immediate employment and will probably be absorbed almost as fast as they are ready to take up civil occupations again.

Canada's debt to the men who went overseas to take part in the great crusade against autocracy, can never be adequately expressed in terms of mere dollars and cents, which means—that no Government can satisfactorily liquidate Canada's moral liability by act of Parliament. It reduces itself to an obligation between man and man. It becomes, in the truest sense, a debt of honour by the man who stayed behind to the man who bravely embarked upon the great crusade. This conception of the case every patriotic employer in Canada must have engraved indelibly upon his mind. He —personally, individually—is responsible for the welfare of one or more of those who are returning

without any definite prospect of employment. With a general and complete realisation of this obligation on the part of Canadian employers, the re-establishment problem solves itself.

But the returned soldier also has grave responsibilities resting upon him. He went "over there" as a sacred duty. He did not offer his body and soul for sale for a paltry dollar-and-ten a day and the prospect of a pension if disabled. He now represents all that is finest and best and noblest in our national life. It is for the rest of us to endeavour to live up to his standard in the future. We look to him for example and guidance. He has wandered through the valley of the shadow of death and has unconsciously imbibed wisdom, tolerance and higher aims from the very source of the fountain of life. Canada feels, that in this period of widespread social stress and turmoil she may safely depend upon her "boys" to exert a steadying influence on the more unstable and less responsible elements in her population and, that she may confidently anticipate their loyal and public-spirited assistance in the process of rearing—perhaps all too slowly and laboriously for many of us—a democracy for which no citizen need blush. The Canadian soldier created a high standard for himself overseas. In spite of the unwarranted apprehensions of the croaking pessimist, Canada believes, that he will live up to—and even beyond—this standard, in his civil capacity.

2.

Canada is to-day confronted with a problem of great magnitude and importance. The war is over and our men are returning. It is supposed that the soldier, having spent some years in the war zone or under training, almost entirely in the open air, and engaged upon activities absolutely different from his previous civil occupation, will find it distasteful to work in the counting-house, shop or factory. Others argue, that having wallowed in mud and wet, day after day, and night after night, he will be tired of the soil and will be glad enough of an indoor occupation. There is reason in both assertions. It will probably be found, that his first inclination may be to favour the indoor work, but after a while, and if economic and employment conditions are difficult, he will feel the call of the fresh air and the independent occupation which the land offers. It is, therefore, to be hoped that any plan contemplating the settlement of the returned soldier on the land will remain open to him for a sufficient length of time to permit him to try civil employment and enable him to get his bearings.

The Dominion Government, with commendable promptness, made provision early in the war, for a scheme of soldiers' settlement and later appointed a small commission to work out details. The broad features of the scheme were outlined in the Soldiers' Settlement Act. Briefly, the intending military settler looks over the country and selects a

homestead or a parcel of land for purchase. He is then advanced a sum of money as a loan, at a fairly low rate of interest and repayable in twenty years. He doubtless fills in and signs many forms, receives the blessings of a paternal Government or Board and then embarks on the great adventure. To the unsophisticated this plan will doubtless look very attractive at first sight. It relieves the Government of a tremendous amount of administration and responsibility. The settler is absolutely on his individual resources and the paternal atmosphere is absent.

Let it at once be admitted, that colonization effort, under the most advantageous conditions, is, as a rule, a heart-breaking and thankless task. The road of the colonizer, be it a Government, a corporation or an individual, is beset with many and varied difficulties, some of them quite beyond control. But let it also be realized, that in this particular instance, Canada has a duty to perform, that should not be shirked, or based on following the lines of least resistance. The returned soldier who goes on the land, is entitled to a fair run for his time and effort. And as a contribution towards the solution of Canada's great problem of colonization, the country has a right to expect that the proposed undertaking shall rest on sound and business-like principles and not be considered solely from the point of view of eliminating political trouble. If this job is worth doing at all, it is worth doing well.

There is another phase of the matter which

merits the most serious consideration. Canada has recently fallen heir to an enormous railway system. These lines to-day present a financial and colonisation problem rather than an operating problem. Having in view the enormous interest of the Government in this property, entirely apart from any obligation toward the returned soldier, almost any reasonable colonization expenditure would be amply justified. The fact that thousands of returned soldiers will want to settle on land in Western Canada might, therefore, be regarded by the Government as a happy opportunity to secure settlers for territory tributary to its railway system.

Fortunes have been spent on unsuccessful colonization projects, and the success of the Government undertaking will, of course, depend entirely on its ability to profit by past mistakes. A great step will have been gained if the Government approaches this task with a clear realization of the many serious difficulties in the way of the successful settlement of people on the land. In its very nature, assisted colonization is a dangerous task for a Government to undertake. The final verdict of success is unavailable for perhaps 8 or 10 years. In the meanwhile, criticism is rampant, and visible evidence of apparent failure frequently complete. It is also true, that the governing factor in success is seldom the soundness of the project itself, nor its administration. There are two elements leading to failure, that defy absolutely both sound conception and efficient administration, viz.: (*a*) A succession of bad crops following initial settlement, (*b*) The human element.

3.

Successful colonization essentially depends upon the resourcefulness of the individual. It involves a continual fight against obstacles and adversity. The successful settler is the man who has developed the ability to overcome these obstacles. Such a man would succeed under almost any hardships. Consequently, the success of any scheme of assisted colonization will depend largely on how successfully the Government is able to eliminate the paternal element, while exercising sufficiently close supervision over the settlers' welfare and operations, and preserving the Government's investment. Unquestionably, the greatest danger the Government could encounter would be the weakening of the spirit of self-reliance on the part of the settler, without which he automatically fails.

It is also well to bear in mind, that the experience of Western Canada, broadly speaking, has been, that the first settler on the land has rarely succeeded. The permanent and successful occupant has generally been the second and sometimes even the third. The problem of creating new capital, while taking care of a family and paying interest charges on borrowed money, is a task involving such a degree of frugality, capacity and unremitting labour, that only comparatively few men measure up to the standard. In this respect, farming is, of course, in no way different from any other class of business.

In approaching the subject of assisted settlement of soldiers, it behooves the Government to walk warily. There is little or no precedent in Canada as a guide. In some of the Australian States, similar effort has been made along lines of general colonization. The United States reclamation service has also approached something of the sort in the disposal of irrigated lands. The only fairly analogous cases in Canada are the few assisted colonization enterprises at Yorkton and Saltcoats, the early Mennonite settlement in Manitoba and the ready-made farm scheme of the Canadian Pacific Railway. The Mennonite colonization was eminently successful, but due entirely to the human element. The Yorkton and Saltcoats colonization projects, including Crofter colonization, were dismal failures. The C.P.R. ready-made farm scheme is the nearest approach to what the Government proposes to undertake, and even that differs in an essential point.

The Railway Company supplied the settler with land, improvements and seed grain. The settler was supposed to have capital of his own sufficient to stock the farm, purchase implements and carry himself and his family until revenue came in. In other words, he was only financed to the extent of 60 or 70 per cent. of his capital. The returned soldier will in most cases have to be financed for his entire capital. It takes a very prosperous business indeed to enable a man to carry the same on, provide for necessary development, keep his family, pay interest on borrowed money, and also to repay

the entire capital invested. Frankly, taking it one year with the other, I doubt whether the small farm of the West is capable of doing that. And what about New Ontario? The Government will probably find that in the end it must do more than merely lend money to these men on twenty-year payments with interest.

4.

I shall waste very little time in criticizing the present plan for soldiers' settlement announced by the Government, if, indeed, this product of a simple and trusting mind should be dignified by referring to it as a "plan." While the Act does not specifically say so, it is perfectly obvious that it contemplates unorganized settlement, meaning that any soldier can take up Dominion lands or purchase lands anywhere and apply to the Board for a loan. To persist in such a course is to court inevitable disaster, from the point of view of administration and of the success of the individual settler. The Government apparently fears, that, if gathered in colonies, the settles would find it convenient and expedient to organize indignation meetings for the purpose of expressing criticisms of the Government and the administration. By continually comparing notes, grievances would be manufactured and agitators would proceed to air them. Quite probable. In fact, that would be almost certain to occur. And it would be very disturbing to the Government and to the Board. It would be an unmitigated nuisance. No one

realizes more keenly than the writer, the many objections to the settlement of people in colonies. He has "lived" with the problem! On the other hand, in spite of all the drawbacks and objections, it is my absolute judgment that colony settlement is, in this case, the only feasible plan—the only plan, in fact, that will have a ghost of a chance to succeed, to any large extent.

I enumerate below the principal objections to the present "plan" of settlement proposed by the Federal authorities:

(*a*) The Government will be absolutely unable to protect adequately the large advances made to settlers for investment in live stock and other liquid assets, and to promote the wise and profitable investment of this borrowed capital.

(*b*) Opportunities for effecting economy and efficiency through co-operative effort amongst the settlers themselves will not be present. While this in itself would not lead to failure, it will be a serious obstacle to that measure of success the country will expect.

(*c*) Special educational work amongst these settlers would be impossible or, at any rate, difficult and spasmodic.

(*d*) The character of this proposed scattered settlement would simply be reduced to, or might even fall below, the general average of prairie settlement; and the experience has been that less than 50% of such settlers succeed. The Government cannot afford a 50% failure.

(*e*) The Government must take into the most

serious consideration the fact, that every failure under any scattered or unorganized "Soldiers' Settlement" plan will involve part or total loss of a large part of its investment, as there will be no one to watch such investment from day to day and to step in and protect it in case of emergency or to give the settler a helping hand at a critical moment.

5.

The land problem is admittedly the cornerstone of any colonization plan. The progress of the best settled and richest districts of Western Canada has for years been retarded through the presence of enormous areas of undeveloped Indian Reserves. Some of these lands are amongst the very best in Western Canada.

I am informed, that the total male Indian population between the ages of 16 and 65, living on Reserves in the three Prairie Provinces, is approximately, 5,000. The area of the various Reserves is, approximately 3,000,000 acres. If each male Indian between the ages of 16 and 65 were settled upon a 320-acre farm, 1,600,000 acres would be absorbed. This would leave an area of 1,400,000 acres of the best lands in Western Canada available for Military Colonization. On a 200-acre unit plan this would provide for 7,000 soldiers. This would apparently go a long way towards solving the problem.

I am not unmindful of the serious obstacles in the way of dealing in such a manner with Indian

Reserves. The fact remains, however, that under pressure of mere public opinion, it has been successfully done during recent years in several instances. The psychological moment has now apparently arrived for dealing, finally and completely, with the whole troublesome question. A crisis has arisen which justifies the Government in doing things autocratically, if necessary. The Government can do things to-day that it could not do before, and probably will never be able to do again.

An announcement that the Government proposed to deal finally with these Indian Reserves and in this manner, would be hailed with delight by practically every resident in Western Canada. It would also seem most appropriate that the returned soldiers should be settled on what are unquestionably the very best vacant lands in the West. In the face of a national necessity, such as this, shallow sentiment or Indian obstinacy should not be permitted to influence the Government's action in this great welfare undertaking. The Indian can be handsomely compensated and will, in the end, be much better off with his individual holding than roaming over enormous undeveloped areas of highly valuable lands, now needed urgently for national purposes.

6.

I have, incidentally, referred to the fact, that it is very questionable whether, under any plan of soldier settlement that might be put into effect, any

considerable number of these men would succeed in making their living, paying interest on the amount advanced and also repaying the principal. Farming in Canada is not so lucrative a proposition that such a plan would be bound to succeed in any large number of instances. It will probably be found, that very material departures will have to be made from the present proposals. In other words, the measure of Government assistance may have to be increased.

Having in view the importance of the object to be attained, the State could probably well afford to reduce the rate of interest to 3½ per cent. A scheme of amortization could also be worked out covering the repayment of principal and payment of interest over a period of fifty years. This would give the settler a much better opportunity to succeed. It is true, that extension of payment could always be granted on a shorter contract, but that practice would be most objectionable from many points of view and would largely increase the task of administration.

It is also worthy of consideration whether a long term lease of any land purchased, say from 50 to 99 years, would not be preferable to a sale contract. The effect would be the same, and ample provision could be made whereby the occupier had an option to change his contract to purchase outright from the Government at any time. The annual rental could be based on the standard rate of interest fixed in connection with the loan for equipment and working purposes.

The success of the whole undertaking will largely depend on the administration. Sympathetic consideration will have to be extended to these settlers in the many difficulties and disappointments that will inevitably confront them in their effort to become successful farmers. The supervision will have to be complete and systematic, without bordering on interference.

7.

I would like to offer a word of comment on our proposed military establishment in Canada. It is perhaps as appropriate here as anywhere else in this volume. Prior to the war we maintained a very small standing army in Canada. The general plan was to develop our militia system and to utilize our permanent military establishment for instructional purposes. The conception was excellent—the execution was exceedingly faulty. The fine Italian hand of the party politician was too much in evidence for good results and our attempt at an army was not perhaps taken sufficiently seriously by the public.

Our Military College at Kingston has nearly always been efficient. It is one of the institutions of which we as Canadians have justly felt proud. It has compared favourably with the very best in the world. But when there were vacancies in our permanent instructional forces we generally overlooked our scientifically trained officers and appointed some insurance man with political pull! The Kingston graduate went to the United States, where he was warmly welcomed, or entered the

service of some Canadian railway in an engineering capacity. These men were educated by the State at considerable cost and then calmly turned adrift. When Canada wanted military instructors, she preferred the amateur, plus the pull, to the man technically trained at her own expense. Political venality could surely reach no lower depth!

Prior to the war our enlisted man was almost invariably a drifter. Our establishments were always below strength, particularly in the West where it was sometimes difficult to obtain enough men for ordinary barrack duty. Desertions occurred constantly. The pay was absurdly low and there were not, in fact, any inducements whatever held out to the enlisted man compared with those readily available in civil life. When there was periodic unemployment we could recruit, but only for short periods. When employment conditions were favourable no new men were available and desertions soon reduced the unit to a bare skeleton force. If it had not been for the short course men, most of the Western units would have completely disappeared at harvest time.

An Order-in-Council has recently been passed materially increasing our future military establishment and also providing more adequate pay than hitherto. One of the justifications set forth is the necessity that may exist of rendering military aid to the civil authorities in suppressing riots, or disturbances. It seems a very wise and reasonable move. But we should now grasp the opportunity to improve our whole army scheme. The enlisted

men should be educated to take their places in civil life, upon discharge, on a higher plane than they could reach prior to enlistment. We should in addition to military instruction, formulate a scheme of general education and vocational training that would make the time-expired man a more useful citizen than he was when he entered the military service. We should dwell less on the pension idea in attracting recruits, than on the facilities offered for learning useful trades in the very generous spare time allowance customary in military life. Such a plan would not interfere with adequate military training and the added expense would be trifling. We should also stand a much better chance of attracting young men of a higher calibre to the rank and file of military service than we can otherwise hope for.

In line with such a development would be a general plan to make our permanent military forces more useful to the country in time of peace than in the past. We are now making provision for 5,000 men and probably four to five hundred officers. Half of this strength will probably be infantry. Why not learn a lesson in economy and efficiency from other countries? The United States Engineering Corps performs valuable services to that country in connection with public works. For instance, all harbour and canal construction has been in its very capable hands for many years. The proposal was also made, that the U.S. Reclamation service should be under the jurisdiction of the military forces. There is a dis-

tinct tendency in the United States to widen the scope and responsibilities of its Engineering Corps, partly owing to the creditable fact, that in its whole history, covering the expenditure of many millions of dollars, it has the unique record of only one or two minor misappropriation scandals. It has stood conspicuously for honesty and efficiency of a very high order. In European countries the practice of utilizing military Engineering units for public works is also general.

There is surely something to learn from other progressive countries in this respect. Why not enlist at least two-thirds of our proposed military establishment as Engineers? They could render useful civil services and, at the same time, be equally as effective as infantry in case of emergency. There is all sorts of survey work to be done in this new country and will be for many years to come. Why not take a hand in this? Not, of course, by establishing a wholly unnecessary military topographical surveys branch, as was done prior to the war, to undertake the triangulation of country that had already been adequately covered by our most efficient and precise, and also most expensive, Geodetic surveys under the Interior Department, but by consolidating, as far as practicable, the present disjointed, overlapping, crazy-quilt survey services of Canada, now located in half a dozen different branches, bureaus and departments, which are a joke and a by-word amongst professional men, and placing them under the jurisdiction of one of the several highly com-

petent and highly-qualified men, in which these services abound, giving him military rank, and then incorporating the whole thing in the new military establishment. Some such plan as this is surely worth considering. There is no particular merit in a military unit devoting its entire attention to drill and recreation. We shall have greater all-round efficiency if our enlisted men feel, that most of their time is constructively employed. They will also make better citizens.

And—before I forget it—subsidize generously the regimental bands of the permanent units and also of some of the senior militia units. Let us have a string of splendid military bands from coast to coast in Canada. We can well afford to spend a little public money on the encouragement of music, if for no other purpose than to help us dispel, even momentarily, the dismal gloom cast over our smaller Canadian cities by the ever growing membership and influence of well meaning, but misguided, "anti-joy" societies, which are rapidly driving cheery people away from our shores and morbid people into anarchism and Bolshevism!

CHAPTER EIGHTEEN

EDUCATION AND SANE STANDARDS

1.

IT is not my purpose to formulate any new "high brow" educational theory. I am not qualified to undertake such a task. But I do know by this time, wherein my own and my children's education woefully failed. In the modern school, we impart knowledge of a kind. We do not properly educate. I can only direct attention to the deficiency, as I see it, leaving the remedy to be discovered and applied by the professional educationist. To prove one's case, it should only be necessary to call attention to the criminally low salaries paid to Canadian teachers and also to the class of teachers such a system naturally attracts. The teaching profession in Canada is merely a convenient halting place on the road to other things. It must be clear that, from a financial standpoint, no sane young man or woman would deliberately fit himself or herself for teaching as a life profession under the conditions that prevail. The average annual salary for female teachers in Ontario is $626, the average in rural schools in Manitoba is $621. In Quebec the figure is $563 in Protestant, and $273 in Roman Catholic Schools. In New Brunswick salaries to female teachers vary from $271.79 to $500.60 per annum. Nova Scotia statistics are dis-

creetly silent on the subject. But why pursue the matter further? The feeblest intellect must comprehend that the "key industry" of Canada, *i.e.* the education of the rising generation, is generally in the hands of mere casuals, who loiter on the way a year or two at the teacher's desk and then proceed to more congenial and remunerative fields.

Much fault may also be found with our facilities for technical education. Some years ago, a most valuable report was made on this subject by a commission composed of highly-qualified men. It now forms part of our dusty, mildewed public records. No action was ever taken by the authorities to give effect to the well considered recommendations of this commission. When everything is said, how very insignificant is the artificial aid Governments can give to industrial development by means of tariffs, compared with the influence on industry of the technically-educated craftsman and skilled mechanic, backed by efficient and economical shop management and a sane business policy. We are far behind our neighbours in the south and most other progressive countries in this respect. We should permit nothing to stand in the way of creating the widest possible facilities in Canada for technical education of a very high order. This is one of the real and pressing needs of Canadian industries to-day.

The fate of our rural educational system has largely been in the hands of the "hardshell" farmer, who would unconsciously measure a teacher's salary against what he pays his hired

hands, except for such regulating influences as are brought to bear in the more enlightened provinces. The result of this penurious attitude on Canada's part has, of course, been, that our higher class teachers have most frequently found it advisable to go south of the line, where their services have received more substantial recognition. Our schools presumably impart a certain amount of useful knowledge to our children in a very mechanical sort of way. But I am far more concerned with the other side of education. What are we doing to implant in the young mind ideas of lofty citizenship and unselfish patriotism; of courtesy and toleration; of sane healthy ambition? It is argued, that the home is the place for instruction in these subjects. I totally disagree. I would sooner delegate these to the school and teach my children the three R's at home, if necessary. The school atmosphere lends itself vastly better to effective and impressive lessons dealing with the humanities of life and duties of citizenship, than the perfunctory and irregular instruction the average pupil would receive on such subjects in the average home. It is not my desire to urge, that the parents should be relieved of all responsibility for the instruction of their children, but merely that the teaching of the higher citizenship should be developed in our schools.

2.

I would like to say a word on modern tendencies towards false standards in life. The responsibility

of the State is not to make men wealthy, but to make them wise, to teach the children to scorn sordid ambition and to discriminate intelligently between what is important and what is unimportant. The desire to acquire mere wealth is essentially ignoble, apart from the fact that few men can ever completely satisfy such a diseased ambition. One standard of wealth having been attained, another looms up ahead. It is an unsatisfactory goal. The intellectual State honours its great poets and artists, the humanitarian State its wise legislators and administrators, the militant State its great sailors and soldiers. The commercial State is apt to honour only its captains of commerce and industry. History leaves little doubt on that point. It, therefore, behooves the State, through its educational system, to destroy utterly false standards and to set up true and noble ones. The patriotic press of the country should carry on the good work and frown down any attempt to bestow praise where undeserved. The press, indeed, has almost the greater responsibility of the two. It staggers one to realize, that this great factor in the life and future of the nation is too often in wholly irresponsible hands, to the extent that each individual newspaper proprietor is absolutely a law unto himself as to whether his paper is to be a power for good or for evil in his community, apart from the fact that his faculty of discrimination is not infrequently faulty.

It is precisely this worship of false standards that is almost wholly responsible for the present

social unrest, and the impatience of labour with palliatory measures of reform. In the eye of the worker the "Golden Calf" is the great desideratum in life. In the acquisition of wealth he anticipates the happy solution of all his problems. Wealth and happiness become synonymous terms. That is the sum total of all he has been taught. The captain of industry becomes his hero. The thinker, the artist, the scholar are almost beneath contempt —men who live in garrets and starve. The only true measure of the value of a man's services is the material compensation he receives. The parson is just tolerated, looked upon as a bit of a crank, receiving the proverbial pittance and raising a large family on nothing, cheerfully serving his Lord and Master. And a certain section of the press of the country plays up these false ideas to the very limit. The men whose comings and goings are most carefully recorded, whose opinions are so respectfully solicited on all subjects, the men whose pictures most frequently adorn the front pages of such papers, are, almost invariably, the prosperous men. When Governments accord public honours, how often do they come the way of the humbler, but greater citizen? It is wealth, or the faculty to acquire wealth, that is most frequently the subject of public applause and public recognition.

3.

Perhaps man was not intended to be happy and contented. Maybe the mainspring of all human

progress lies in the inherent discontent, restlessness and unhappiness of the individual, driving him into the mad race for further material possessions and success, as moderns are now taught to interpret the word. It is perhaps his very striving after these evanescent, hollow and unsatisfying things that builds up nations. If so we are assuredly living in a glorified lunatic asylum. Labouring under the mental hallucination, that certain things are essential to happiness, which, as a matter of fact, have nothing to do with that elusive state of mind, we are permitting ourselves to be relentlessly driven into striving for these things, only to find, when they are attained, that they utterly fail to satisfy. All our stress and effort, therefore, is wasted as far as any personal recompense is concerned. The State or community would seem to be the only beneficiary.

In so far as equipping the embryo citizen to enter the ruthless struggle of life is concerned, our modern school system is probably all that could be desired. As I have tried to show, its efforts in teaching morality, courtesy and a true appreciation of the duties and responsibilities of citizenship, are woefully deficient. We have banished religion from our schools. What have we substituted? If ever there was a time when the young should be taught something about the deeper things in life, and the futility of worshipping false gods, it is the present. I cannot refrain from quoting here an extract from Smiles,—whose books might well be included in our public school cur-

riculum,—upon the "art of living," which so few of us have studied and begun to understand:

. . . . The art of living deserves a place among the fine arts. Like literature, it may be ranked with the humanities. It is the art of turning the means of living to the best account—of making the best of everything. It is the art of extracting from life its highest enjoyment, and, through it, of reaching its highest results.

To live happily, the exercise of no small degree of art is required. Like poetry and painting, the art of living comes chiefly by nature: but all can cultivate and develop it. It can be fostered by parents and teachers, and perfected by self-culture. Without intelligence it cannot exist.

Happiness is not, like a large and beautiful gem, so uncommon and rare that all search of it is vain, all efforts to obtain it hopeless; but it consists of a series of smaller and commoner gems, grouped and set together, forming a pleasing and graceful whole. Happiness consists in the enjoyment of little pleasures scattered along the common path of life, which, in the eager search for some great and exciting joy, we are apt to overlook.

The art of living is abundantly exemplified in actual life. Take two men of equal means, one of whom knows the art of living, and the other not. The one has the seeing eye and the intelligent mind. Nature is ever new to him, and full of beauty. He can live in the present, rehearse the past, or anticipate the glory of the future. With him life has a deep meaning, and requires the performance of duties which are satisfactory to his conscience and are, therefore, pleasurable. He proves himself, acts upon his age, helps to elevate the depressed classes, and is active in every good work. His hand is never tired, his mind is never weary. He goes through life joyfully, helping others to its enjoyment. Intelligence, ever expanding, gives him every day fresh insight into men and things. He lays down his life full of honour and blessing, and his greatest monument is the good deeds he has done and the beneficent example he has set before his fellow creatures.

. . . . It is not wealth that gives the true zest to life, but reflection, appreciation, taste, culture. Above all, the seeing eye and the feeling heart are indispensable. With

these, the humblest lot may be made blessed. Labour and toil may be associated with the highest thoughts and the purest tastes. The lot of labour may thus become elevated and ennobled. Montaigne observes that "all moral philosophy is as applicable to a vulgar and private life as to the most splendid. Every man carries the entire form of the human condition within him. . . .

4.

But my chief complaint lies in the callous attitude of the citizen towards the State. He recognises no responsibilities. If a certain tax is imposed, his main effort is directed towards evading it wholly or in part. His code of honour permits him to defraud his country, when he would scorn not dealing with his fellow citizen as an honourable man should. It is a most curious mental process, that condones robbing the state, *i.e.,* all one's fellow citizens, and condemns defrauding an individual citizen. What has our public school system done to correct this point of view?

Across the Pacific Ocean lies a great empire with a recorded history dating back some 4000 years. That country has been overrun time and again by Tartar, Manchurian, Mohammedan and Christian. But instead of being swallowed up by the invading hordes, it has calmly absorbed them. When our forefathers hunted each other, dressed in skins, these wonderful people had a civilization of a very high order. To-day wealth is fairly distributed. The farmer owns his land. To receive rent from land is one of the things that is "not done." Family discipline is so well observed, that police protection is largely superfluous.

There are four times as many judges in France as in the whole of China. The profession of law is looked down upon. The profession of arms fell into contempt a thousand years ago. The highest caste is the literary caste, open, however, to the lowliest citizen in the country. From this all Government employees are recruited. China is essentially a democratic country. Its people are, as a whole, happy and contented, and only ask to be left alone. Its citizens seldom come into contact with the Government, in fact, China should be the ideal home of the anarchist, as she has apparently solved the problem of getting along without ordinances and acts of parliament at every step.

The schools of China, while deficient in the direction of sciences, teach painstakingly the general Confucian principles of justice and morality, honest dealings, and duty to one's neighbour and the State. As a consequence, public honesty in China is of a very high order. But the greatest institution of all amongst these wise people is the family. Periodical councils are held in the home of the head of the family, that is, its oldest member. A brief lecture is delivered on some ancestor who distinguished himself, probably in the service of the State. This is followed by an inquiry into any complaints against members of the family and, we are told, that these family councils never disperse until each one present has assured the head, that he has faithfully paid all taxes due to the State! The young are brought up in an atmosphere of conscientious performances of public

duties and respect for constituted authority. Perhaps in spite of our boasted civilization, we have something to learn from John Chinaman!

5.

How comes it, that China survived one alien invading, devastating horde after another, while the map of superior Europe continually changed with kaleidoscopic thoroughness and suddenness? It is a fascinating riddle. Possibly China has not been conquered and destroyed, because China simply cannot be conquered and destroyed. Her consistent Confucianism, ancestor worship and lofty aggrandisement of the family organisation into the most exalted agency in her national scheme, is perhaps the solid rock upon which her unchanging existence rests and upon which every attempt at subjugation has finally foundered ingloriously. In the last analysis it seems clear that the home has been China's national shield and safeguard during all the ages—that simple, fundamental unit upon which all lasting progress, human welfare and national homogeneity must in the end depend.

What has been the tendency of our modern democracies in respect to this basic, all-important social unit? The home is essentially a rural institution—"God made the country and man made the town." In the country we still find real homes. Our "up-lift" societies are always prating and ranting about "guarding" the home, but in our ever-growing cities, the product of the modern factory system, with its dense population hived

in narrow, tiny tenements, sleeping, fitfully and restlessly, during the heat of the summer, on roofs and fire escapes, wherever a breath of cool air may be caught, rising unrefreshed, to pursue its grinding, monotonous daily tasks in crowded, stifling, noisy shops—such are the "home" conditions of the submerged "masses." The "classes" —high and middle—fare rather better; but even they are evidently not living up to their opportunities. The "self-contained" flat (no children wanted) with restaurant below, the lurid, hectic night life of the great cities on this continent, the appalling divorce statistics, falling birth rate—everything points decidedly towards the lessening influence and importance of the home in our modern "up-to-date" scheme of life.

6.

In conclusion, I deliberately reiterate the statement that the foundation of all sound and orderly human progress is education. To vary the formula, it may be added, that the development of a broad spirit of toleration and of patriotism is equally essential. Possibly the former breeds the latter. A popular writer recently bemoaned our "lost sense of right and wrong," as the greatest tragedy of the hour. Perhaps this is where our education towards saner standards should really begin! The main problem involved in any sweeping social or political reform is not so much to decide upon and draft the particular measure of reform, as to fit successfully the human unit into the proposed new

order. In other words, the national programme must of necessity always be limited to the ability of the majority of the citizens to live up to it. This is the great brake on social progress and the discouraging feature about social reorganization. The main responsibility of the statesman is to realize when the psychological moment has arrived —when the State can safely act.

A nation's process of education and training often takes weird forms. Misfortune, persecution and starvation,—each has played its part as national schoolmaster. A terrible upheaval, such as the world has witnessed during the past few years, is perhaps the most effective school of social reform for the multitude. It has compelled nations to co-operate and has brought vividly before the citizen its object lessons of successful public control, forced upon reluctant governments in the emergency. These lessons will not be forgotten. Social reform advanced a century in one mighty bound. Perhaps herein lies the justification, or divine purpose, of Armageddon.

But what of the nations for which the blood bath of Armageddon was taken in vain? The nations that refuse to learn and inwardly digest, whose statesmen, labour leaders and captains of industry and commerce proceed on their way serenely and imperturbably—the nations undisturbed by the gathering clouds of anarchy, whose leaders have souls so small and vision so narrow, that they cannot find the way out of the well worn rut, whose sole conception of reconstruction is "business as

usual." Will they be able to stem the onrushing tide of social unrest that has already swept into the maelstrom the mightiest European Empire and is rushing westward with gathering fury, to submerge and envelope other nations? Where in its ruthless path will it encounter the strong, arresting wall of enlightened public opinion reared on the solid foundation of social justice, against which it will impotently spend its force?

I have referred to that gigantic oriental nation across the Pacific with a history stretching back far beyond the dimmest, darkest period of dawning occidental social consciousness. Who knows whether history may not repeat itself?—Whether, in the irony of fate, China, bland, unchanging—China, the despised, who in turn utterly despises us and our cruel, ruthless, money-mad civilization, who regards us contemptuously, as miserable, ignorant upstarts—whether this inscrutable nation may be destined to witness again our destruction, and the levelling into the dust of all we have built and striven for during centuries, and once more behold the Western world arise from the ashes and proceed to build anew with the seeing eye, knowing hand and comprehending mind! Who knows?

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